

A BUSINESS STRATEGY FOR THE DISTRIBUTION OF INDEX-BASED LIVESTOCK
INSURANCE TO URBAN PROFESSIONALS

A CASE STUDY OF TAKAFUL INSURANCE OF AFRICA, KENYA

A Project Paper
Presented to the Faculty of the Graduate School
of Cornell University
in Partial Fulfillment of the Requirements for the Degree of
Master of Professional Studies in Agriculture and Life Sciences
Field of Global Development

by
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December 2018

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ABSTRACT

Index-Based Livestock Insurance (IBLI) was designed by researchers at Cornell University and the International Livestock Research Institute (ILRI) to help manage the drought-related risk faced by pastoral communities, and thus far has been successfully distributed in the arid and semi-arid lands (ASALs) of Kenya and Ethiopia. The state of the insurance market in Kenya and the risk-susceptible nature of pastoralism demonstrate a need for such an insurance product, but also present challenges including community sensitization, government involvement, and trust building.

The distribution of IBLI through Takaful Insurance of Africa (TIA), a private Kenyan insurance company, has largely been targeted at rural pastoralists in Kenya, who are among those most vulnerable to drought conditions. However, national trends of increasing urbanization reveal a high number of individuals who migrate to urban regions to pursue diverse livelihoods but still maintain ownership or management of livestock herds within the pastoral communities from which they come. Therefore, an adapted business strategy is needed to market and sell IBLI to urban professionals.

This study relies on a literature review to provide background and context for urban IBLI distribution, and uses surveys and semi-structured interviews to gather information about the urban livestock-owning demographic. The results are recommendations for a business strategy that should address the needs and values of urban professionals, focusing on digital media and simple, remote purchasing mechanisms. It should also ensure that the necessary product information and sales pathways are available in urban areas across the country so that the target

demographic is aware of and can easily purchase IBLI, leading to a wider and more diverse client base. Effective marketing and distribution to this market segment will create spillover effects on Kenya's pastoral population as a whole through the urban segment's influence on their pastoral communities. Thus resilience to drought-related livestock mortality in Kenya will be further expanded, reaching those populations most vulnerable to uninsured drought risk.

BIOGRAPHICAL SKETCH

Tara Hammonds is a Master of Professional Studies candidate in Global Development, with an interest in developing smallholder farming practices and resource access in sub-Saharan Africa. She holds a Bachelor's degree from Cornell University in the field of International Agriculture and Rural Development, with minors in French and Animal Science. As part of her studies she has conducted several research projects, including a collaborative business evaluation of livestock insurance in Kenya, an assessment of an artificial insemination initiative within the dairy industry in central Madagascar, and a survey of tropical agricultural pests in eastern Madagascar. Tara has interned with the Madagascar Fauna and Flora Group, Farm Credit East, Cornell Cooperative Extension, the Cornell Small Farms Program, and Villages in Partnership, and worked as a program assistant for the Humphrey Fellowship Program at Cornell. Prior to coming to Cornell, she spent four summers working at a small educational dairy farm, where she fostered a passion for sustainable agricultural development.

ACKNOWLEDGMENTS

There are a number of individuals and organizations who made this research possible. First, I would like to acknowledge the International Livestock Research Institute, and in particular the Index-Based Livestock Insurance team, for hosting me and supporting my research. I am indebted to Rupsha Banerjee for her invaluable insight and supervision, as well as to Diba Galgallo, Duncan Khalai, and the rest of the team for their contributions. I would also like to express my sincere gratitude to the management staff at Takaful Insurance of Africa, especially Carol Wangeci, Samiya Gaid, Bishar Mohamed, and Hassan Bashir, for graciously helping me to acquire the data and support needed to conduct this research.

I am also indebted to my advisor, Rebecca Nelson, for her thought-provoking comments and ideas, as well as to Jim Lassoie and Terry Tucker for their support.

This research was made possible through a Community-Engaged Student Travel Grant from the Cornell University Office of Engagement Initiatives as well as generous funding from the Mario Einaudi Center for International Studies at Cornell University, for which I am incredibly grateful.

Lastly, I am so, so thankful for the encouragement and enthusiasm shown to me by my parents – thank you for supporting my dream of chasing cows around the world.

TABLE OF CONTENTS

Biographical Sketch	iii
Acknowledgments.....	iv
Table of Contents	v
List of Figures	vi
List of Tables	vii
List of Abbreviations	viii
Introduction.....	1
Chapter One:	5
1.1 Nature of Government Social Protection	7
1.2 Nature of Index Insurance	9
1.3 The Nature of the Insurance Market in Kenya	11
1.4 Nature of Pastoralism	13
1.5 Nature of Urban Livestock Owners	15
1.6 Conclusion.....	18
Chapter Two:	20
2.1 Context	20
2.2 Justification	23
2.3 Methodology	25
2.4 Findings and Discussion	30
2.5 Recommendations	40
2.6 Conclusion.....	51
Chapter Three:	53
3.1 Context	53
3.2 Methodology	54
3.3 Findings.....	56
3.4 Recommendations	59
3.5 Way Forward.....	62
References	64
Appendices.....	68
Appendix A: Sales Density Maps by Sales Window	68
Appendix B: Detailed Implementation Framework	71

LIST OF FIGURES

Figure 2.1: Centers of Kenya's Urban Population	23
Figure 2.2: Digital User, Urban Resident, and Pastoralist Intersection	27
Figure 2.3: IBLT Weather Divisions	29
Figure 2.4: Urban IBLT Distribution Consumer Profiles	33
Figure 2.5: Map of Average Sales Density with Urban Centers.....	38
Figure 2.6: Map of Average Sales Density with County Government Seats and TIA Offices	38
Figure 2.7: Map of High Potential Urban Centers	39
Figure 2.8: Proposed Urban Distribution Framework	40
Figure 2.9: IBLT Long-Term Financial Projections	42
Figure 3.1: Centers for Urban Population in Kenya	55
Figure 3.2: Digital and Urban Consumer Intersection.....	56
Figure 3.3: Map of Average Sales Density with Urban Centers.....	59
Figure 3.4: Proposed Urban Distribution Framework	60

LIST OF TABLES

Table 1.1: The Need for and Challenges of IBLI in an Urban Environment.....	5
Table 2.1: Data Collection Summary.....	26
Table 2.2: Abbreviated Implementation Framework.....	41
Table 3.1: Overview of Implementation Framework	62

LIST OF ABBREVIATIONS

ASALs	Arid and Semi-Arid Lands
FAQ	Frequently Asked Questions
IBLI	Index-Based Livestock Insurance
IBLT	Index-Based Livestock Takaful
ILRI	International Livestock Research Institute
IRA	Insurance Regulatory Agency
KLIP	Kenya Livestock Insurance Program
NDVI	Normalized Difference Vegetation Index
OIC	Oromia Insurance Company
TIA	Takaful Insurance of Africa
TLU	Tropical Livestock Unit

INTRODUCTION

Recent climate change has led to a number of variations in weather and climate patterns worldwide, including increased drought frequency and decreased overall rainfall in East Africa (Barrios et al., 2010; Rowell et al., 2015). The resulting drier climate greatly affects the livestock-dependent pastoralists in these regions, who are often left in severe poverty due to drought-related livestock mortality. Such pastoralists are particularly susceptible to uninsured weather risk, leading to poverty traps and frequent humanitarian crises in the event of climatic shocks. It is difficult for the formal insurance market to address this type of risk due to high transaction costs and lack of consistent information (Chantararat et al., 2010). Therefore, such risk can be most effectively managed by less traditional insurance products designed specifically to protect this vulnerable population.

Insurance, though a relatively new and somewhat unfamiliar phenomenon in Kenya, has become increasingly important and valued throughout the country. As a result, the Kenyan government passed the Insurance (Amendment) Act, 2006, in part to establish the Insurance Regulatory Authority (IRA) to “ensure the effective administration... and control of insurance... business in Kenya,” to properly license insurance companies, to “promote the development of the insurance sector,” and to engage in other activities concerning the regulation of insurance in Kenya (Parliament of Kenya, 2006). In fact, the government has identified the insurance industry as being so critical to the growth of the Kenyan economy that it has incorporated insurance market growth as a component of the Vision 2030 (Oino et al., 2012), a national plan to create “a

globally competitive and prosperous country with a high quality of life by 2030” (Kenya Vision 2030, n.d.).

Agricultural insurance in particular is crucial to the Kenyan economy because roughly 75% of the country’s population depends on agriculture in some way for their livelihoods, contributing to 18% of the national GDP (USAID, 2018). Without insurance, this population segment is highly susceptible to weather and price risk. This vulnerability prevents farmers and pastoralists from investing heavily in their livelihoods, impeding their ability to generate significant, stable income and achieve consistent food security. National insurance market growth tends to prioritize easily-understood, high-profit products such as motor, health, and life insurance, leaving the agricultural insurance market significantly less saturated (Oino et al., 2012). Though there are financial and institutional barriers preventing the pastoral demographic from entering the traditional insurance market, weather-based index insurance holds promise as a partial solution to addressing weather risk due to its lower transaction and administration costs, and consequently, higher affordability (Sibiko et al., 2018).

This paper explores a specific brand of index insurance that has been rolled out in Kenya called Index-Based Livestock Insurance (IBLI). The product was developed in 2008 to be distributed in Kenya (and now Ethiopia) through a joint partnership between Cornell University researchers and the International Livestock Research Institute (ILRI), eventually involving several private insurance companies as well as the Kenyan government. Though the product has been largely catered to rural pastoralists thus far, this study examines how product distribution can be tailored to meet the needs of the urban market. Results and recommendations focus specifically on IBLI

distribution by Takaful Insurance of Africa (TIA), a private Kenyan insurance company. For the purposes of this study, the terms ‘urban professional’ or ‘urban pastoralist’ will be used to refer to those individuals who reside in urban regions but maintain ownership of livestock located within their pastoral communities.

Index-Based Livestock Insurance relies on data from the Normalized Difference Vegetation Index (NDVI), an indicator for pasture availability using satellite imagery. When the NDVI in a certain region falls below the twentieth percentile of historic index levels within that specific region, a payout is triggered (S. Gaid, TIA, personal communication, July 3, 2018). Payouts are determined based on an asset protection strategy as opposed to asset replacement. In other words, payout size is calculated as the amount of money required to keep a livestock unit alive through the drought as opposed to the amount required to replace a unit of livestock if it dies. This amount is different for each region and is calculated as a percentage of the estimated value of livestock. The value of one Tropical Livestock Unit (TLU), or one cow, is KES 14,000¹. Therefore, a camel (1.4 TLU) is valued at KES 19,600, and a goat or sheep (0.4 TLU) at KES 1,400 (S. Gaid, personal communication, July 3, 2018).

Similarly to payout size, IBLI premium costs are also region-specific and are calculated as a percentage of total livestock value. These costs are in some cases subsidized by the Kenyan government as part of the Kenya Livestock Insurance Program². Data for specific premium costs and payout amounts by Weather Division were not available for use in this study.

¹ Approximately USD 136, as of November 29, 2018.

² Piloted in 2015, the Kenya Livestock Insurance Program is the first government livestock insurance scheme in Africa, and provides the IBLI product at no charge to households in certain counties registered under the Hunger Safety Net Program.

Taking into account the increasing popularity of IBLI as well as rising urbanization rates in Kenya, this paper will present a business strategy for the sale and distribution of IBLI specifically to urban professionals. Chapter One will discuss the needs for and challenges associated with Index-Based Livestock Insurance particularly in urban Kenya. It will explore the aspects of pastoralism, Kenya's insurance market, index insurance, the urban demographic, and government aid, factors that affect or are affected by IBLI distribution. Chapter Two will explain the fieldwork conducted and the significant results and recommendations generated; it was initially presented to TIA and ILRI as a consultancy report. Chapter Three condenses these findings, prepared for initial publication as an ILRI research brief.

CHAPTER ONE:

CONTEXTUAL ANALYSIS

Index-Based Livestock Insurance operates within a complex context in Kenya due to the involvement of several public- and private-sector actors, the intricacies of index insurance, and various aspects of traditional pastoralism as well as the Kenyan insurance market. This intricate environment is further complicated when targeting specifically urban professionals, as their habits and behaviors vary significantly from those of traditional pastoralists. Table 1 summarizes aspects of this environment, indicating both the need and opportunity for IBLI as well as the challenges associated with product distribution. Each area of focus will be further elaborated in subsequent chapter sections.

Table 1.1: The need and opportunity for Index-Based Livestock Insurance in an urban environment, as well as the challenges associated with product structure and implementation, are determined by aspects of government social protection, index insurance, Kenya’s insurance market, pastoralism, and urban pastoralists in particular.

Focus	Relevant Aspects	Opportunities	Challenges
Nature of government social protection	Government subsidies	Greater affordability	Determining subsidy type – partial versus total
		Higher initial program viability	
		Diverse opportunities for government involvement	Low long-term financial sustainability
			Beneficiary reliance
Nature of index insurance	Complex structure		Disconnect between product features and client understanding

			Decreased trust in insurance market
			Expensive product-specific outreach and education
	Index reliance	Lower administrative costs	Basis risk ³ - lack of total correlation between livestock deaths and payout incidence
		Isolation of climatic effects	Low client accessibility of index data
Nature of insurance market in Kenya	Insurance Regulatory Agency	Greater regulation of insurance companies and agents	Persistence of insurance company mismanagement and unethical behavior of agents
		Increased consumer education	
	Relative novelty of insurance in Kenya	High initial demand	Low levels of consumer awareness and education
		Rapidly growing insurance market	Low agent training and product comprehension
	Informal knowledge dissemination	Diversified channels for insurance education	Inadvertent discrimination against illiterate or uneducated populations
			Risk of misinformation

³ Basis risk occurs when the timing and levels of indemnity payouts in response to a given insurance product do not totally correlate with losses experienced.

Nature of pastoralism	Migratory behavior	Ability to migrate out of areas affected by climatic shocks	Issues determining the appropriate Weather Division ⁴ for a migratory herd
	Drought vulnerability	IBLI isolates and combats the effects of drought conditions on livestock	Basis risk due to unpredictability of livestock mortality
	Reliance on informal Insurance	IBLI provides a more formal and reliable form of risk management	Breaking tradition
Nature of urban livestock owners	Remote ownership	Concentrated population → lower physical marketing requirements	Difficult to target clients geographically (i.e. identify herd, contact owner)
	Higher income	Higher willingness to pay	Danger of elite capture of benefits
		Theoretically higher demand	
		Lower subsidy reliance	

1.1 Nature of Government Social Protection

One of the largest challenges inherent in agricultural insurance distribution in developing countries, Kenya included, is creating a financially sustainable distribution structure while keeping the product affordable to the target market segment. Many agricultural insurance programs worldwide are subsidized by the government, making products more widely available to consumers of different socioeconomic statuses but also threatening the long-term

⁴ A Weather Division has been defined by TIA and the IBLI research team as a region that tends to have relatively homogenous climate and weather patterns. The event of an IBLT payout is specific to each Weather Division, as is the size of each payout. Pastoralists purchase an IBLT policy to cover livestock within a specific Weather Division.

sustainability of such programs (Alderman, 2007). In many cases, without government support, the program would lose money due to the value of indemnity payments exceeding the value of total premium collected. Alternatively, insurance distributors would lose a significant portion of its intended client base that is unable to afford the product (Miranda & Farrin, 2012; Alderman, 2007; Oino et al., 2012). For example, La Positiva in Peru developed a catastrophic risk index insurance program, which is fully subsidized by the Peruvian government. The government initially planned to slowly decrease subsidies until the program was fully independent. However, demand remains so low that the government has had to maintain full subsidies, taking a toll on public financial resources (Miranda & Farrin, 2012). If the government were to pull its support, not only would the insurance scheme have to operate at a loss, but former subsidy beneficiaries who may have become reliant on insurance would likely be unprepared to deal with the effects of catastrophic shocks if they were unable to afford the full insurance premium.

However, various insurance schemes have sustainably involved the government in their programs through different strategies. For instance, Mongolia initiated an index-based livestock insurance scheme in 2005 wherein risk is shared among pastoralists, the private sector, and the government. If losses are small enough, the pastoralists themselves bear those losses with no private or public intervention. Moderate to large losses are covered by private insurance companies through a Base Insurance Product, and major catastrophic losses are covered through a Disaster Response Product by the government (Alderman, 2007). In this way, the government takes an active role in bearing some of the responsibility but does not incur any significant losses beyond the Disaster Response Product payouts (which can be seen as a part of their disaster relief program). Another risk sharing strategy has been employed by the Mexican government,

which through the Agricultural Natural Disaster Fund provides farmers with monetary assistance in the event of a weather-related catastrophe. Costs are split 70/30 by the federal and state governments, respectively. With the end goal of scaling back government involvement, the Fund piloted a weather index insurance product with the hopes of achieving financial sustainability (Alderman, 2007). Strategies such as those employed by Mongolia and Mexico demonstrate ways that the government can aid in the initial stages of insurance interventions, while their involvement is limited such that a change in political climate or funding availability would not be detrimental to the success of the program.

Because the Kenyan government has identified insurance as being critical to the economic growth of the country (Oino et al., 2012), one can assume that the public sector will take an active role in promoting and subsidizing insurance products. Already, the government has provided subsidies for Index-Based Livestock Insurance to beneficiaries of the Hunger Safety Net Program. Moving forward, if the government's role can be diversified in ways similar to the Mongolia or Mexico context, the public sector could have a very sustainable role in the insurance market. However, this role must be assumed cautiously and monitored with respect to its effects on consumer behavior.

1.2 Nature of Index Insurance

Index-Based Livestock Insurance is a type of weather index insurance, a product aimed specifically at weather risk that determines payouts based on an index of weather events such as drought or flooding, as opposed to client-specific payouts due to ruined crop fields or livestock mortality. If the proper trust is built, this can be an incredibly useful product for smallholder

farmers because hedging against weather risk encourages farmers to engage in high-risk, high-return activities, opening doors for increased income and economic mobility (Alderman, 2007). However, a 2018 study found that risk-averse farmers in Kenya have low demand for weather index insurance, frustrating insurance companies since this demographic is generally the target of such interventions (Sibiko et al., 2018). This low demand is due primarily to a lack of extensive knowledge about insurance and product contracts, concepts which are further complicated by the intricacies of index insurance structure in particular.

In addition to these complexities, product reliance on an index (as opposed to case-specific losses) brings both benefits and challenges to the IBLI market. This product design is beneficial because index insurance generally demands significantly lower administrative costs since payouts are determined universally for each Weather Division and individual claims do not need to be handled separately. However, the index structure also brings challenges. For example, it has been found that weather index insurance products are sometimes misaligned with the needs and values of most smallholder farmers (Sibiko et al., 2018; Oino et al., 2012). For this reason, combined with the challenges of implementing insurance schemes in developing countries, index insurance uptake tends to be relatively low. This has been the case with several index products in other countries such as the BASIX weather insurance scheme in India (Miranda & Farrin, 2012; Alderman, 2007). Therefore, Kenya has a daunting task ahead of it in terms of encouraging uptake and acceptance of Index-Based Livestock Insurance. However, because IBLI was designed specifically for smallholder farmers, it may prove easier to market and sell to the intended consumers than other index insurance products.

1.3 Nature of the Insurance Market in Kenya

Despite only having been formally regulated for just over ten years, the insurance industry in Kenya is significant and growing. This is in part due to the Insurance Regulatory Authority's (IRA's) success in consumer education and financial inclusion (Insurance Regulatory Authority, 2018; Luyima, 2015). As of 2017, national premiums recorded valued KES 209 billion⁵, a 6.3% increase from 2016. Policies are primarily sold through insurance agents, insurance brokers, or directly through the insurance company, who are responsible for bringing in 39.3%, 33.5%, and 27.2% of the total industry premium, respectively (Insurance Regulatory Authority, 2018). Insurance agents are generally employed on a commission basis by a specific insurance company, and are the intermediaries between customers and the insurance company. Though Kenya contains over 20,000 trained insurance agents, only 5,000 of them are actively part of the agency force within the country (Oino & Kuloba, 2011). Brokers, too, act as intermediaries, but are self-employed and generally will sell products on behalf of a number of insurance companies depending on the needs of their clients.

Although the Insurance Regulatory Agency has been established in part to monitor and oversee insurance companies, there is still sometimes internal "mismanagement and misappropriation of assets" which both inhibits company efficiency and contributes to a sense of mistrust among consumers around the insurance market (Luyima, 2015). Among agents, too, there is sometimes unethical behavior, including premium embezzlement or false product advertising to increase sales, which leads to insurance agents being viewed as con men. This can be intentional and encouraged by low agent incentivization, but other times is the result of insufficient training and support (Oino & Kuloba, 2011). There also tends to be a lack of trust in the insurance market due

⁵ Approximately USD 2 billion, as of November 29, 2018.

to historic unpaid claims. This either stems from lack of performance on the insurance companies' end or is because product misunderstanding caused a consumer to believe they deserved a payout when in fact they did not (Luyima, 2015). Due to the resulting mistrust, it is crucial that insurance products are marketed and promoted cautiously, and overseen intensively by the IRA and other appropriate government departments (Dercon et al., 2015).

Not only are agents sometimes untrained and misinformed, but due to the very recent and rapid growth of Kenya's insurance market, there remains a significant lack of knowledge and awareness of the general concept of insurance and specific insurance products among consumers. There tends to be higher awareness of more popular insurance products such as motor, health, and life insurance, but low levels of understanding about some specific, less popular products including agricultural insurance (Oino et al., 2012). Especially among smallholder farmers and pastoralists in the more rural areas of the country, awareness of insurance is low due to a lack of education and experience with any kind of insurance (Miranda & Farrin, 2012; Sibiko et al., 2018; Alderman, 2007). Therefore, when dealing with very specific insurance products such as IBLI that are aimed specifically at smallholders, it is crucial that such products are structured as transparently as possible, with an outreach and education component (Miranda & Farrin, 2012). Even if a farmer is familiar with the concept of insurance, it is still necessary that product-specific outreach is performed. This is because there is often misunderstanding among consumers concerning the stipulations of their insurance contract, such as the conditions necessary for a payout to occur or the size of the payout. This lack of understanding can lead to mistrust in the insurance industry and, consequently, lower future demand for insurance products (Sibiko et al., 2018). One way that this lack of education is addressed is through the IRA's

consumer education initiatives, providing a “forum for the public to learn about the needs and benefits of insurance” (Insurance Regulatory Authority, 2018).

A 2012 study was conducted by the IRA that determined how consumers who did know about insurance had learned about the concept. This study focused on means of information transfer beyond the scope of active IRA efforts. The highest number of respondents (34%) were educated about insurance through their school or college, which is of course effective but also discriminates against the portion of the Kenyan population that is not privileged enough to pursue a formal or higher education. A further 26% of respondents learned about insurance directly from insurance agents, partially a result of the IRA’s efforts. The remaining study participants were introduced to the concept by family and friends, newspapers and magazines, radio, or television (Oino et al., 2012). These informal knowledge sharing strategies are useful in aiding the IRA’s mission to educate the Kenyan population about insurance, but because they are unregulated they risk disseminating incorrect information. However, in theory they could be leveraged to address the issue of lack of knowledge about insurance, helping to facilitate the marketing and distribution of IBLI.

1.4 Nature of Pastoralism

The exact proportion of migratory versus sedentary pastoralists is unknown due to the difficulty of counting migrant populations and the lack of consensus among literature regarding the number of pastoralists in Kenya. However, many pastoralists do remain mobile, directing their herds across regions and sometimes across country borders (Randall, 2015). This behavior is theoretically beneficial concerning the profitability of livestock insurance. If a pastoralist is able

to move his/her herd to areas with more forage during a drought, there would be a lower payout necessary to keep his/her livestock alive than would be necessary if he/she remained in a single, drought-ridden place. However, this is difficult to manage in practice because an insurance contract must specify the region where a pastoralist's livestock is insured. Otherwise, there is the chance of moral hazard, or pastoralists changing their behavior in an attempt to receive a payout. IBLI has resolved this by insuring livestock in the region where the contract was purchased, but this remains challenging if during a single season a migratory pastoralist moves his/her livestock to a region that experiences different rainfall levels than the region where his/her livestock are insured. At this point there appears to be no perfect solution to this challenge, but the migratory nature of livestock owners must be kept in mind when designing livestock insurance contracts.

The livelihoods of pastoralists are also, due to the nature of livestock rearing, very susceptible to dry season and drought conditions. Droughts increase livestock mortality and thus decrease a pastoralist's asset base (Alderman, 2007). Additionally, even if a herder is able to keep his/her livestock alive, production generally declines due to deteriorating health conditions or, in the case of dairy herds, decreased milk production due to lower water consumption (Rufino et al., 2013). This vulnerability demonstrates a need for an insurance product designed specifically to combat the adverse effects of drought conditions, a need which IBLI is able to help address. However, the fact that pastoralists are vulnerable to such variable and uncontrollable phenomena means that losses, too, tend to be unpredictable, which in the case of index insurance brings into question the concept of basis risk. Because index insurance does not generate payouts on an individual basis, it is difficult to design an insurance product that has 100% correlation with

losses faced due to an unpredictable phenomenon. Therefore, the drought vulnerability of pastoralists demonstrates a challenge concerning the design and effectiveness of IBLI.

In the absence of agricultural insurance, there are informal strategies employed by smallholder farmers and pastoralists in an attempt to adapt to the effects of drought conditions. In some cases, if many individuals within the same community cannot afford the insurance premium, they will use an informal system of aid and loans within the community to help one another cope with the effects of the drought. In fact, a 2012 IRA study polled rural community members who did not own insurance and found that, though roughly half of the respondents did nothing differently in the case of a drought, about 30% used up any savings that they had to provide for themselves and their families during drought conditions, and 18% sought financial help from family members (Oino et al., 2012). However, this system tends to be much less efficient than the formal insurance market, both because payments are difficult to enforce and because when it comes to environmental conditions like droughts, many community members will be faced with hardship at the same time. This leaves few community members willing to provide gifts or loans to peers (Robinson, 2012). Therefore, though it is a more foreign concept to most pastoralists than informal insurance or risk sharing, there remains the opportunity for IBLI to act as a more formal and reliable form of risk management.

1.5 Nature of Urban Livestock Owners

This paper focuses on the uptake of IBLI specifically by urban livestock owners. Such a focus is important because Kenya, much like the rest of sub-Saharan Africa, has observed trends of increasing urbanization over the last several decades (Hope, 2012; Worldometers, 2018). Not

only has Kenya's urban population increased, but the ratio of urban residents to the country's total population has increased as well. With an urban percentage of 15.6% in 1980 and 19.8% in 2000, Kenya as of 2018 has an urban percentage of 25.6% which is expected to grow to 32.5% by the year 2030. This equates to a current urban population of 13,580,000 (Worldometers, 2018), many of whom retain remote ownership of livestock.

As there is no globally accepted definition of an urban region, Kenya's urban population is defined as the portion of the population that resides in an area classified as urban by Kenya's 2011 Urban Areas and Cities Act. This act qualifies any town, municipality, or city as an urban region. These classifications are partially based on certain infrastructural and managerial stipulations specified by the Act, but are defined primarily by total population of the administrative district. A city is defined as a district with a population greater than 250,000. The 2011 Act officially established Nairobi, Mombasa, and Kisumu as cities, and based on population Nakuru and Eldoret have since joined them, though this has not been officially mandated (List of cities and towns in Kenya, 2018). Also included in the national definition of urban are municipalities, with a population between 70,000 and 249,999, and towns, with a population between 2,000 and 70,000 (The Republic of Kenya, 2015).

Though they are often drawn to urban centers to pursue high-income livelihoods, pastoralists settling in urban regions frequently retain ownership of their livestock, managing their herds remotely or engaging in various forms of urban livestock rearing. Urban sedentarization generally does not result in broken ties with one's pastoral community. Rather, there remain strong communication and influence between the community and those who leave (Fratkin,

2005). The resulting concentrated population of livestock owners in urban regions is theoretically promising for IBLI marketing efforts, since a marketing strategy can be largely digital and can reach its audience more easily than in rural regions, where the target client base is more spread out. However, it becomes more difficult for urban agents to identify potential beneficiaries by locating their livestock and consequently finding the associated owner (which is how many agents in rural areas market and sell IBLI).

Livestock owners are drawn to urban areas by the same push and pull factors that affect much of the rural population. That is, Kenyan pastoralists relocate to urban regions either because they have been pushed away from their rural pastoral communities for environmental, social, or livelihood reasons, or have been pulled towards the economic attractions of the urban lifestyle (or a combination of the two) (Hope, 2012; Fratkin, 2005). Climatic factors are prominent among the motivations pushing pastoralists out of their rural communities toward the urban regions of Kenya. The increasing prevalence of drought in sub-Saharan Africa, for example, spurs farmers and pastoralists to diversify their livelihoods in an attempt to find a source of income that is not as vulnerable to drought conditions (Headey et al., 2014; Fratkin, 2005; Hope, 2012). This frequently means pursuing employment in the industrial sector, for which urban migration is often necessary. Growing rural populations, too, lead to increased competition for land and resources, leaving communities more vulnerable to natural disasters and famine and thus providing motivation to move to urban areas (Hope, 2012; Fratkin, 2005).

The pull factors attracting pastoralists to the urban lifestyle are for the most part economic (Hope, 2012). An emphasis has been placed on development policy that focuses primarily on the

urban regions of Kenya, leading to attractive economic options in cities to which rural regions generally are not privy (Agesa & Kim, 2001). Therefore, to diversify livelihoods and income sources beyond the low and inconsistent income stream from agricultural activities (Agesa & Kim, 2001), pastoralists will often settle in urban regions to take advantage of economic opportunities and higher wages (Hope, 2012).

Though these push and pull factors are diverse, they are generally associated with the goal of improved livelihoods and boosted income, and many urban migrants are able to achieve both. Higher disposable income means that urban professionals have a theoretically greater willingness to pay for insurance products than rural pastoralists, which could enhance the profitability of IBLI and decrease reliance on government subsidies. However, though urban consumers' higher income levels could aid in the financial sustainability of IBLI distribution, it also means that they do not generally fall within the category of vulnerable populations, which were the initial target beneficiaries of IBLI. Therefore, though significant resources have been devoted to IBLI distribution in rural areas and the arid and semi-arid lands (ASALs), there is the danger that elites will capture the benefits of IBLI distribution in urban regions.

1.6 Conclusion

Overall, though there are important challenges concerning IBLI product design and distribution, the need and opportunity for this product are evident and, as discussed, are certainly relevant to the urban context due to the high numbers of urban livestock owners. Because this product has been largely tailored to the rural context since that is where most of the need has been identified thus far, IBLI's urban distribution and marketing strategy must be carefully thought through and

implemented. Chapters Two and Three introduce research conducted among urban pastoralists, and present a business strategy for marketing and sales in Nairobi and other urban regions of Kenya.

CHAPTER TWO:

CONSULTANCY REPORT

Originally prepared for Takaful Insurance of Africa and the International Livestock Research Institute

2.1 Context

Developed in 2008 by a collaborative team of International Livestock Research Institute (ILRI) and Cornell University researchers, Index-Based Livestock Insurance (IBLI) has for nearly a decade provided Kenyan and Ethiopian pastoralists with risk protection against drought-related livestock mortality. Having partnered with several different private insurance companies to distribute IBLI, ILRI currently relies on Takaful Insurance of Africa (TIA) to sell the product in northern and eastern Kenya, Oromia Insurance Company (OIC) for distribution in southern Ethiopia, and the Kenyan government's Kenya Livestock Insurance Program for product management in the remainder of Kenya. IBLI is sold during the two months before each rainy season: January and February to precede the short rains season, and July and August to account for the long rains season.

IBLI is branded through TIA as Index-Based Livestock Takaful (IBLT), which was initiated in 2013. The IBLT sales network depends on an agency structure comprised of sub-agents selling the product in rural areas under the management of lead agents. These lead agents are given management of sub-counties (based on sub-county geographical size) in all counties where IBLT is available. These counties as of IBLT sales window 11 (July and August of 2018), referred to henceforth as active IBLT counties, include Marsabit, Mandera, Wajir, Isiolo, Garissa, Tana River, Samburu, and Turkana, but the product continues to expand to new counties. Lead agents

are responsible for community sensitization and client recruitment, while sub-agents (most of whom are shopkeepers or have similar professions) complete the sales process. Lead agents are paid a monthly salary of KES 20,000⁶ as well as a 2% sales commission, while sub-agents receive an 8% sales commission but no consistent salary. TIA also relies on in-house sales representatives and urban brokers for insurance product sales, but as of now these parties rarely engage in the sale of IBLT.

IBLT sales window 10 (January and February of 2018) yielded a total of over 3,000 contracts, with a total premium collection of over KES 6.5 million and a total sum insured of over KES 75 million. This was collected by an active sales force of 116 sub-agents (though the total sales force is comprised of over 400) and 39 lead agents, and covered nearly 24,000 shoats⁷, 500 camels, and 2,000 cattle.

These sales primarily occurred in the rural, arid and semi-arid lands (ASALs) of northern and northeastern Kenya, as that is where the majority of drought-vulnerable pastoralists are located. However, little focus has been placed on sales to those individuals who own livestock located in drought-ridden regions, but who themselves live in urban areas and manage their livestock remotely. As trends of an increasing prevalence of this demographic have been noted both by ILRI researchers and by TIA staff, the need for a mechanism to market and sell IBLT to such professionals has emerged as a necessary component of a successful IBLT distribution structure.

⁶ Approximately USD 195 as of November 29, 2018

⁷ A shoat refers to a goat or sheep; they are often grouped together for the purposes of IBLI because they are estimated at equal monetary values and therefore have equal premiums.

This chapter presents an analysis of and recommendations for the most effective practices that can be employed to reach this urban population with livestock insurance. In addition to providing a widely-applicable framework for distribution to urban professionals, it will also apply this framework to TIA's business model to suggest specific and actionable recommendations for the expansion and diversification of the IBLT client base to include the urban livestock-holder demographic.

Urbanization Trends

Because every country has its own specifications concerning what constitutes a city or urban area, there is no globally accepted definition of urban. Therefore, for the purposes of this report, urban will be defined as such according to the Republic of Kenya's Urban Areas and Cities Act of 2011. Specifically, a district will be considered urban if it has a population of over 2,000, demonstrable revenue generation capacity, and significant infrastructural facilities, and meets all other requirements provided in the Act (The Republic of Kenya, 2015). However, recommendations will be aimed specifically at the larger and more prominent urban areas, as identified by the World Population Review (2018) and indicated by red dots on the map in Figure 2.1.

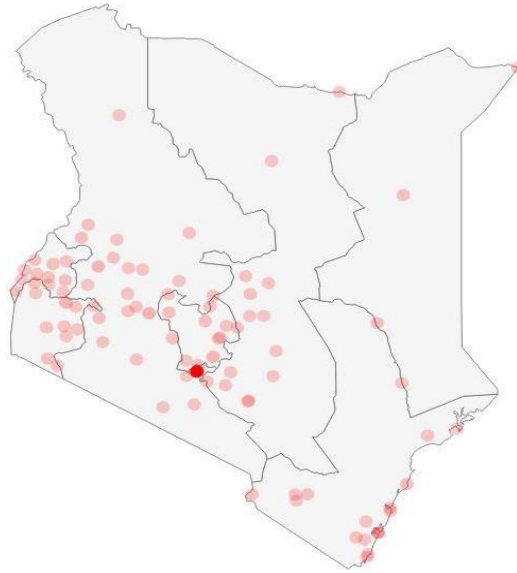


Figure 2.1: The World Population Review has determined any area marked by a pink dot on the map to be an urban center. Nairobi, Kenya's capital city, is represented by the dark red dot.⁸

With a total population of nearly 51 million, Kenya holds an urban population of 13.5 million, approximately 25.6% of the country's population. This percentage has increased from 15.6% in 1980 and 19.8% in 2000, and is projected to continue to increase, reaching 32.5% by 2030 (Worldometers, 2018). This urbanization is due primarily to the opportunity for economic improvement in urban areas, as well as events that may push pastoralists out of rural areas, one such event being harsh drought conditions (Hope, 2012). Many city-dwelling pastoralists retain ties to their communities even as they establish livelihoods in urban regions, often remotely maintaining ownership of livestock herds.

2.2 Justification

The increasing urban population and urbanization rate in Kenya have been accompanied by a high prevalence of professionals working within these urban areas who own livestock in pastoral

⁸ Kenya Population 2018 (2018). *World Population Review*.

communities around the country. ILRI researchers and TIA professionals have for several years identified this demographic as a largely untapped client base that has not yet been effectively served by livestock insurance. ILRI and TIA are not alone in the valuation of this potential; an index agricultural insurance product initiative was launched in Burkina Faso in 2017 specifically targeting urban migrants with pastoral ties, with the study team acknowledging the significance (and challenge) of creating and distributing a product that can reach and serve the needs of rural pastoralists and urban dwellers alike (Wahhaj, 2017). Evidently the success of product sales to this demographic is promising. However, because urban professionals have limited interactions with their livestock and with individuals within their pastoral communities, it has been difficult for them to discover the existence and benefits of the IBLT product in the first place, much less to find and contact an agent to initiate the purchasing process.

These urban dwellers hold large potential for the IBLT market if they can be effectively incorporated into the focus of product distribution. The combination of generally large herd sizes and moderate to high income levels could yield a significant but previously unrealized profit stream from the sale of IBLT to urban professionals. Additionally, many urban dwellers are seen as influencers by their rural communities, and therefore rural pastoralists would be likely to take advice from or mimic the actions of urban livestock owners. Therefore, IBLT purchase by an urban professional can easily cause a ripple effect, leading to increased sales in rural areas as well.

Objectives

Taking into account TIA upper management goals, ILRI research team visions, and the current urbanization and market trends, this chapter aims to address a question of emerging importance: how can the current business structure used to market and distribute Index-Based Livestock Takaful be adapted to appeal to and serve the needs of the digitally-focused, information-driven urban consumer? This question was confronted by addressing the following objectives:

- i. Identify and profile the target market segment;
- ii. Develop a primarily digitally-based marketing strategy based on the habits and values of the urban pastoralist market segment;
- iii. Determine the most effective role of each actor in the IBLT agency model concerning the recruitment of and sale to urban clients; and
- iv. Establish a mechanism for urban consumers with fixed time commitments to purchase IBLT quickly and at their own leisure.

2.3 Methodology

Data Collection

The collection of data for this study relied primarily on a survey administered via email through a Qualtrics platform as well as semi-structured in-person interviews. The questions were largely identical in both the email survey and oral interviews, but during the interviews the opportunity to probe for more qualitative information following a response was often taken. Survey participants were gathered using snowball sampling; groups of participants were initially recruited through ILRI and TIA staff contacts, and further participants were suggested by the

preliminary participants. Study participants were recruited based on two criteria: ownership (or family ownership) of livestock, and residence in an urban region. A total of 10 surveys through Qualtrics and 11 semi-structured interviews were conducted.

In addition to the urban consumer surveys, a short series of questions was also sent to TIA in-house sales representatives to determine whether or not they were selling IBLT, and the reasons for either case. A total of four representatives participated in this survey. Because sub-agents and lead agents sell exclusively IBLT and have been the focus of several recent studies, they were not interviewed or surveyed. A summary of study participants is presented in Table 2.1.

Table 2.1: Data was collected through a series of email surveys and semi-structured interviews.

Data Collection Method	Target Participant	Number of Participants
Email survey	Urban professionals with pastoral ties	10
	TIA in-house sales representatives	4
Semi-structured interview	Urban professionals with pastoral ties	11

Lastly, historic IBLT sales data was requested from TIA. This data included records of policies sold, premium collected, responsible agents, and geographical locations of sales, and was available from sales windows 5-10.

Data Analysis

The data collected was analyzed with the recognition of and focus on the goals of TIA upper management, the financial resources available for the improvement of IBLT distribution, the structure of the company and agency model, and previous research completed by the IBLI

research team at ILRI. Therefore, data analysis occurred simultaneously with ongoing conversations with the TIA marketing department, IBLT coordinators, and members of the IBLI research team. Analysis also occurred under the assumption that there is significant overlap between the urban consumer and the digital user, so digital marketing strategies are likely to reach most urban residents. Further, it is assumed that an intervention aimed at the intersection of this urban demographic and the population of livestock owners will indubitably have spillover effects on the separate urban, digital, and pastoral demographics (Figure 2.2).

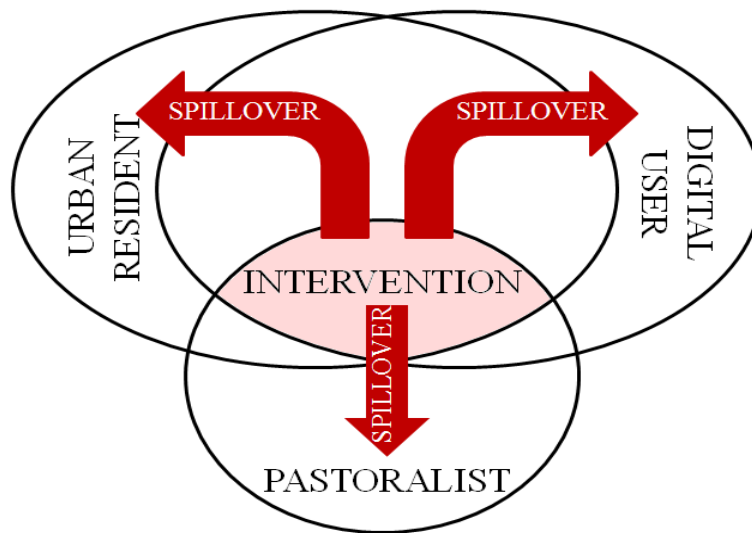


Figure 2.2: The intervention is targeted at the urban pastoralist population, assumed to overlap with the population of users of digital media. It is also assumed that the intervention will have spillover effects on the entirety of each of the three segments.

Grounded theory (Strauss & Corbin, 1967) was used to drive data analysis. That is, the theories and conclusions resulting from this study were drawn from the data itself. To complement this data analysis, the existing grounded theories of Reasoned Action (Fishbein & Ajzen, 1975) and Extended Self (Belk, 1988) were built on and elaborated to understand, and consequently address, consumer behavior. The Theory of Reasoned Action states that individuals perform a

specific action due to a specific anticipated result; therefore, consumers are more likely to purchase a product if they associate the product with a positive outcome. The Extended Self Theory describes how humans subconsciously view their possessions as a part of their identity, and therefore tend to make purchases adhering to values with which they identify or would like to identify.

With these assumptions about consumer behavior in mind, the survey and interview responses were divided into demographics and psychographics; the demographics provided a picture of the characteristics of the target client, while the psychographics informed an understanding of urban consumers' behavior and values. The psychographic data focused on media usage and methods of information seeking, habits and actions concerning the consumer's role as a livestock owner, and previous experiences with and perceptions of IBLT. In several cases, the survey had reached participants through snowball sampling who did not fit the sample criteria, so these responses were removed from the data. The remaining data was sorted and examined in a number of ways, including by gender, profession type, and area of residence. It was then used alongside a qualitative analysis of pastoralist participation in various livestock-related digital platforms (blogs, news articles, social media groups) as the basis for a consumer profile representing the market segment to be targeted by the distribution of IBLT in urban regions. Recommendations concerning marketing and sales were made specifically to target the resulting market segment.

In addition to survey and interview analyses, the IBLT sales data from sales windows 5-10 was sorted by Weather Division such that the total number of policies sold (and by association, clients) for each Division during each window could be calculated. Simultaneously, the land area

for each Weather Division was approximated using image analysis software to analyze the map in Figure 2.3, which displays the Weather Division jurisdictions within each active IBLT county.

Figure 2.3: Premium costs and payout levels are determined based on IBLT Weather Divisions, displayed on the map above, due to geographical variation in rainfall and pasture availability. Weather Divisions are grouped by county, demonstrated by the variation in color.⁹

⁹ Source: Takaful Insurance of Africa

increased IBLT distribution. The resulting maps based on the average ratio across Windows 5 to 10 can be found in Figure 2.5 and Figure 2.6, and the unique maps for each sales window are available in Appendix A.

2.4 Findings and Discussion

Market Segment

There are as of yet no universally accepted estimates of the magnitude of Kenya's urban population that owns, or has family that owns, livestock, nor has there been any prior research specifically on this demographic. In fact, there have not been any reliable estimates of the total number of pastoralists in Kenya, regardless of geographical segmentation (Krätli & Swift, 2014). The best (and very conservative) estimate, based on several data sources, is that pastoralists comprise about 10% of Kenya's total population, representing close to 500,000 individuals nationwide (Krätli & Swift, 2014). Meanwhile, we do know that Kenya has an urban population of approximately 13.5 million (Worldometers, 2018). Though it is not known exactly what percentage of that 13.5 million is involved with pastoralism, if the generic 10% estimate is applied the resulting target population is comprised of 135,000 individuals¹⁰. Of course, not everyone represented within that demographic owns livestock located in an active IBLT county, so the urban market segment for IBLT is in reality below the 135,000 estimate, but in any case represents the IBLT urban distribution target client base.

The urban consumer to whom this urban distribution initiative is targeted in general has different values and behaviors from the typical rural consumer, meaning that the IBLT marketing and

¹⁰ Note that the 10% estimate is an average that includes rural areas where the percentage is much higher, so the target population of 135,000 is a *very* loose estimate and likely overestimates the size of the target population.

sales strategy must be adapted to serve these needs and tendencies. The urban professional on average has greater access to and familiarity with digital media, thereby equating them to digital consumers. Such consumers value information, product relevance, and time; they look for evidence of product success, but they want this evidence presented concisely and in an engaging format. They also tend to be more active and vocal, meaning that information can spread very quickly through various digital media platforms. And they value affordability and ease of purchase; they in general have low brand loyalty, so they will purchase a product if they can access it at a low cost, high quality, and with little effort on their end (Ryan & Jones, 2009; Tiago & Verissimo, 2014).

Values and behaviors of urban consumers specifically who maintain pastoral ties and possess livestock were determined through this study's surveys and interviews. Urban professionals who own livestock tend to maintain relatively large herds (greater than 60 head), and often these herds are comprised of mixed livestock types. The livestock are generally (but not always) located in the ASALs of northern and northeastern Kenya. These professionals overwhelmingly consider their livestock of very high importance to them, for reasons including tradition, sentiment, income, food, community and family dependence, and community respect. They in general have managed livestock for most of their lives, and intend to continue doing so, hiring local herders or family members to watch their herds and make the day-to-day decisions while the urban professionals themselves make the more significant decisions regarding migration or herd health remotely, or when they monitor in person from time to time. They also have high levels of social influence within their pastoral communities. Concerning marketing and information source preferences, most have a high usage of social media platforms such as

WhatsApp, Facebook, and Twitter, and prefer to conduct most of their communication and information sourcing through these platforms. They engage in relatively low radio usage, but maintain a moderate reliance on television or daily news channels to access news and information.

Taking into account the tendencies of urban consumers and of this intervention's target population in particular, two consumer profiles were designed (Figure 2.4) to represent the target market segment. Each profile has different characteristics and values, but similar needs which can be addressed with a single marketing strategy.

Consumer Profile 1: Ahmed	
Characteristics	Works in Garissa Town in finance; owns a large, mixed-livestock herd in rural Garissa that he inherited from his father; hires local herders to care for his herd; visits livestock for two weeks every December to monitor
Values	Livestock, tradition, pastoral roots, income, respect
Needs	Risk management, peace of mind, simplicity of purchase, evidence of product success, purchase and renewal reminders, access to service regardless of location
Preferred Marketing Channels	WhatsApp, Twitter, Facebook, Television, Seeds of Gold
Willingness to Pay	High
Obstacles	Unfamiliarity with product, concerns about product structure, inflexible schedule, preoccupation with other responsibilities

Consumer Profile 2: Lucy	
Characteristics	Works as an information technologies specialist in Nairobi; does not directly own livestock but is close with family members who own a medium-sized cattle herd in rural Wajir; earns significantly more income than family members so is well positioned to purchase IBLT for her family
Values	Family, tradition, pastoral community, religion
Needs	Ease of purchase, mechanism to transfer policy ownership, access to service regardless of location, sharia compliance
Preferred Marketing Channels	WhatsApp, Twitter, Facebook, Television, Jamia Mosque Friday Bulletin
Willingness to Pay	Moderate
Obstacles	Unfamiliarity with product, concerns about product structure, inflexible schedule, preoccupation with other responsibilities, lack of personal motivation to purchase

Figure 2.4: Urban IBLT distribution consumer profiles were developed based on the responses of survey and interview participants.

Marketing Strategy

IBLT is currently marketed through a wide, but somewhat haphazard, set of marketing channels. In the active IBLT counties, where the bulk of IBLT marketing and community sensitization has occurred, information distribution and demand generation has been achieved through word of mouth, which includes face-to-face client recruitment by IBLT agents and IBLT advertising at community gathering points, as well as through radio advertisements. As communication in rural areas is conducted primarily through these two channels, this strategy has been effective in informing rural communities about product details and methods of purchase. However, it would be less effective in urban regions where communication and information sourcing occurs much more frequently through digital media.

TIA employs more diversified marketing strategies for their insurance products as a whole, since their products are distributed across the country. The company maintains a website with different pages for each product; however, the IBLT webpage contains very little product information, and simply instructs the visitor to contact their closest IBLT agent if they wish to purchase livestock insurance. TIA general marketing is also conducted through print sources such as the Jamia Mosque Friday Bulletin, which has a circulation of 10,000-15,000, and Seeds of Gold, a section of the Daily Nation with a readership of approximately 200,000. This marketing up to now has not had a large focus on IBLT, advertising instead for other products or for the TIA brand in general. Products are also marketed through television, primarily on the Citizen TV channel, as well as through TIA's very active Facebook and Twitter pages. Additionally, TIA recently launched an intranet platform exclusively for TIA employees, which of course does not reach the wider public but which is an effective method of sensitizing the TIA community to the IBLT

product, especially since many sales representatives have not received training in IBLT. Therefore, TIA employs a wide variety of marketing channels to promote its products, but there is not as of yet a cohesive and standardized marketing strategy specifically for urban IBLT distribution.

Product Distribution

As it stands, there are three pathways by which a consumer may purchase Index-Based Livestock Takaful, all three of which occur through face-to-face interactions. Much of the sales process can be conducted over the phone if necessary, but an in-person encounter must occur for a client's access to their receipt and proof of purchase. The first sales pathway is through TIA agents who are responsible exclusively for selling the IBLT product. These agents are trained rigorously in the IBLT product and are paid exclusively through an 8% commission (except in the case of lead agents, who are assigned more responsibility and in return receive 2% commission plus a retainer). These agents are not based at TIA offices, but instead are spread throughout the active IBLT counties and conduct business from their general place of work, be it a shop, community gathering point, or the side of the road in the case of mobile service providers and salespeople. They are provided with sales targets to meet during each sales window, and meet these targets by primarily selling to pastoralists within the rural region in which they are stationed.

The second pathway for IBLT sales is through in-house TIA direct sales representatives. These representatives do not sell exclusively IBLT and have not undergone IBLT training, but rather are responsible for selling all the insurance products that TIA offers. They can, however, choose which products to sell, which is problematic in that their commission rate and average contract

size is variable among products. They therefore tend to favor the sale of high-profit products such as motor insurance and place less emphasis on the sale of lower-profit products like IBLT. Their lack of training in IBLT is also a disincentive to sell. In addition to their commission, these sales representatives are paid a retainer and are active TIA employees year-round (not just during the IBLT sales windows, as is the case with the aforementioned IBLT agents). The representatives, too, conduct in-person transactions, but they are based at one of TIA's ten branches¹¹. They are generally approached by their clients so focus most of their attention on client retention and sales and are less involved in new client recruitment.

Much of the client recruitment is left to the actors within the third sales pathway: urban brokers. These brokers are independent business entities, but sell TIA products for commission; they are not, however, on TIA payroll. They are key to the insurance sales process in that they bring in new clients through their personal networks, adding to the client base that TIA establishes independently. They, like the in-house sales representatives, may choose which products to sell, and they maintain complete autonomy over this decision; they also generally do not receive training to sell IBLT.

There is at present no mechanism for clients to make IBLT purchases remotely. This remains a large obstacle in IBLT distribution within urban centers, because often the target client has a busy schedule and fixed time commitments, and the effort it would take them to find information about IBLT, contact an agent or representative, and complete the purchase in person is a significant deterrent. Moreover, because the agents are focused on rural areas and the sales

¹¹ Takaful Insurance of Africa operates out of ten branches nationwide: four in Nairobi and one each in Mombasa, Isiolo, Garissa, Wajir, Mandera, and Lamu.

representatives and brokers often do not market or sell IBLT because of the low commission, many consumers within the target market segment are not even aware that the product exists, much less understand the details of the product and how to go about purchasing it.

Urban Center Sales Coverage

The geographical distribution of sales has been variable across the past six sales windows, but there are some trends in sales density that indicate the service (and lack thereof) of IBLT to urban regions. Figure 2.5 presents the average sales density across active IBLT counties from windows 5 to 10. It should be noted that the data used to construct the map was compiled from TIA sales records, which indicated sales made by IBLT agents but did not include any sales made by in-house sales representatives or urban brokers. Therefore, it is assumed that while the latter two actors have the option of selling IBLT, they have not done so in the past due to their lack of product knowledge and selling incentive. Because of their historic lack of participation, the urban centers with active brokers and sales representatives (i.e. the cities housing TIA offices) have been greatly underserved. This is made evident by Figure 2.6, which displays the same density map overlaid with both the major cities in active IBLT counties (deemed such by their service as the government seat for each county) and the cities with TIA offices. The vast majority of these urban areas correspond to low sales density, meaning that insufficient attention has been paid to IBLT distribution in these regions.

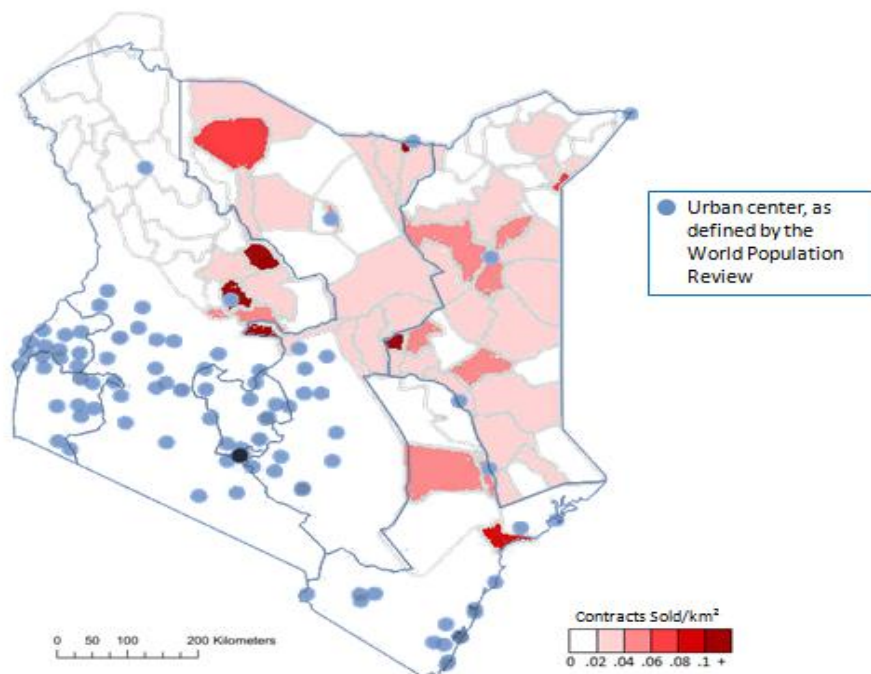


Figure 2.5: Average sales density across sales windows 5-10 is overlapped with the locations of Kenya's urban centers, demonstrating which urban areas have been effectively served by IBLI distribution.

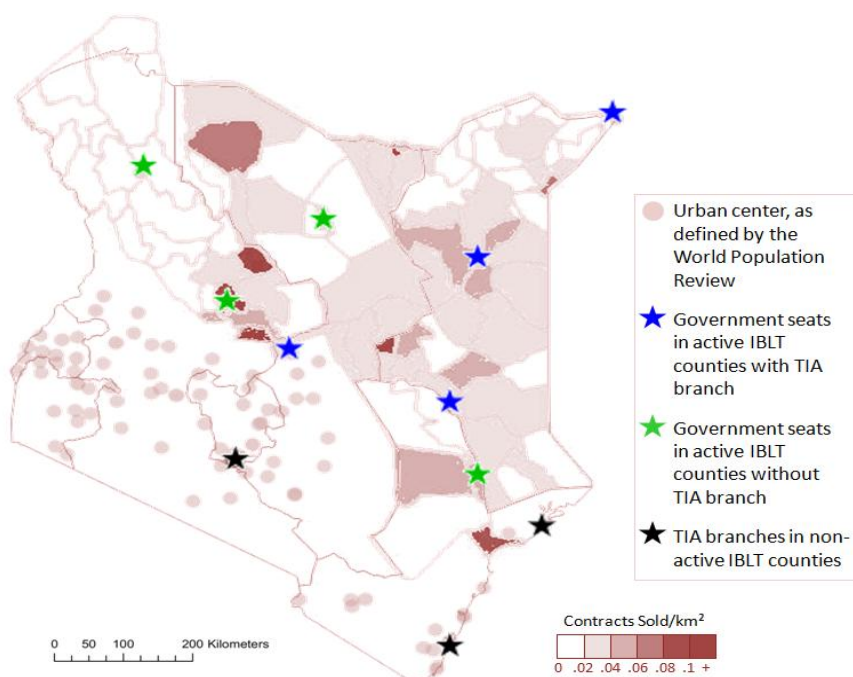


Figure 2.6: Average sales density across sales windows 5-10 is overlapped with the locations of Kenya's urban centers, with TIA branches and government seats indicated by stars. TIA branches carry potential for high IBLI sales because they are located in urban centers and have a pre-existing sales force that can be mobilized. Government seats, too, hold potential as they are generally located in the largest town of each county.

As Figures 2.5 and 2.6 indicate, sales density has not demonstrated any correlation with population density (assuming a high population density within urban centers). Therefore, Figure 2.7 presents the urban centers that have the highest potential for improved sales. All urban areas with TIA offices are considered high potential because they have a pre-existing sales force; i.e., the in-house sales representatives at each office. Additionally, the government seats of each county are deemed high potential because, though they do not currently house a sales force, they are assumed to be larger cities with high demand and more politically and socially influential consumers. Urban areas that fall into these two categories and have had historically low sales are considered a priority.

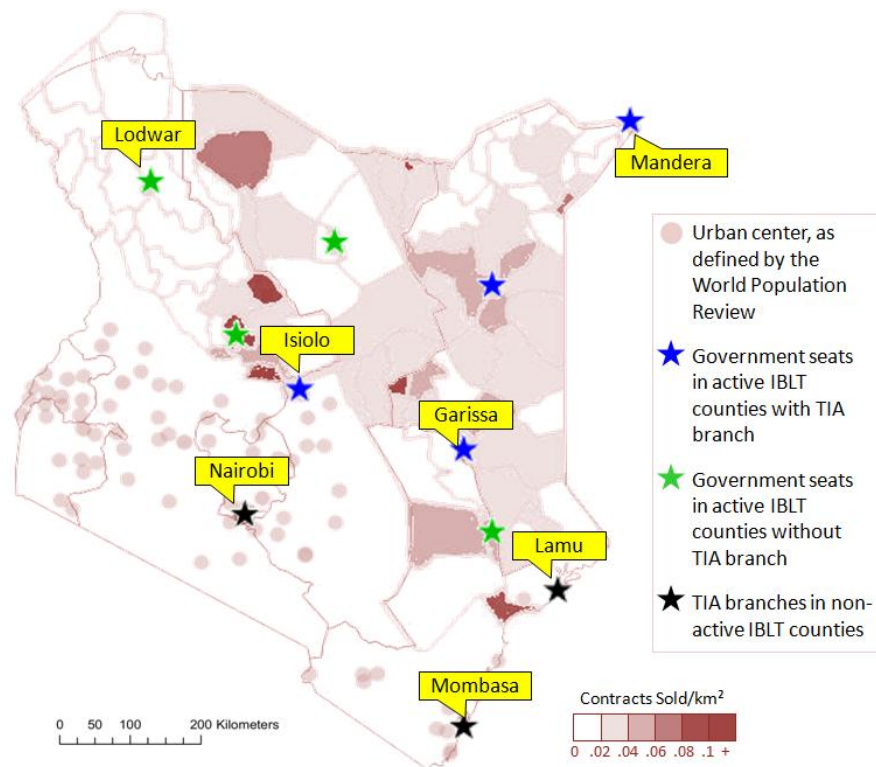


Figure 2.7: High potential urban centers are deemed as urban areas that hold either a TIA branch or a government seat and have had historically low sales. Because of their untapped potential, these centers (indicated by a yellow label) should be prioritized in the distribution of IBLI.

Figures 2.5, 2.6, and 2.7 represent average sales from windows 5 to 10. Refer to Appendix A for a breakdown of this data by individual sales window.

2.5 Recommendations

Recommendations follow a proposed business framework, presented in Figure 2.8. The framework provides mechanisms for sales and marketing, which when implemented effectively lead to urban market saturation with the long-term vision of increased welfare and resilience to drought-related livestock mortality.

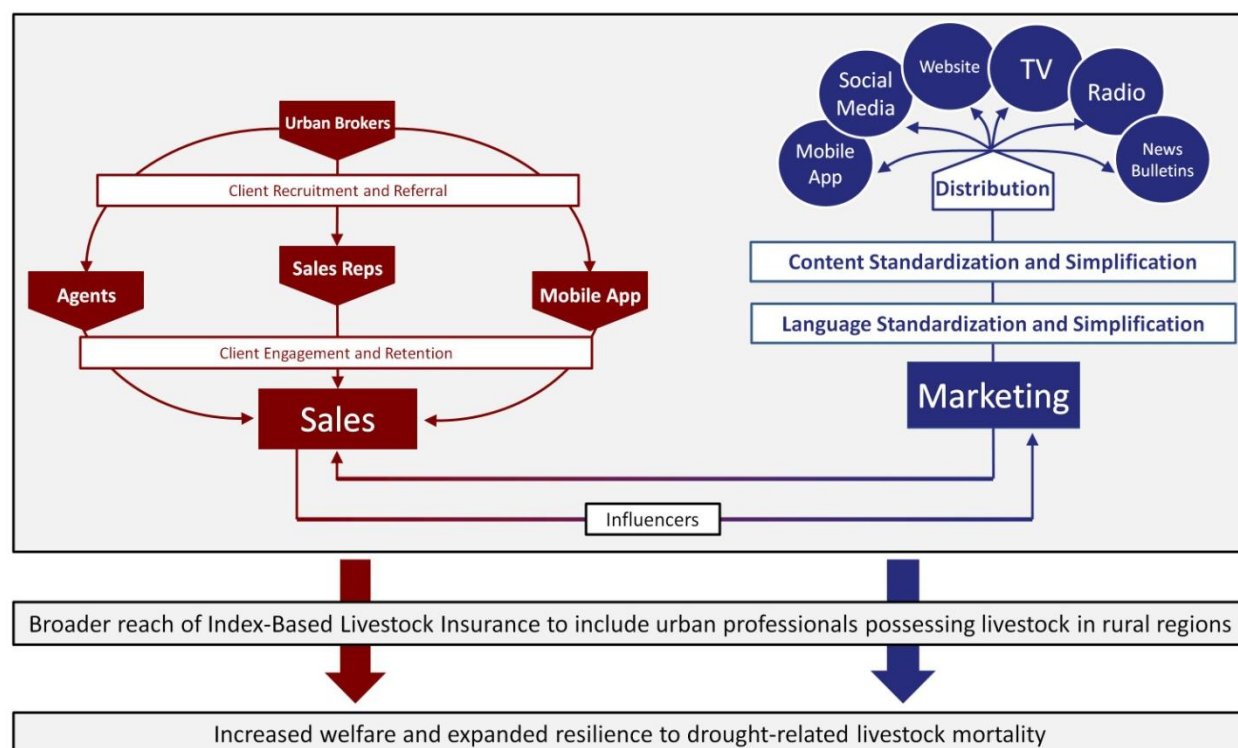


Figure 2.8: By efficiently mobilizing various IBLI sales channels based on the advantages each channel provides, and by employing a simple but diverse marketing strategy, IBLI can be most effectively distributed within Kenya's urban centers.

Recommendations are provided as an expansion of the above framework in a sequence that adheres to the SOSTAC business model, as developed by Smith, Berry, & Pulford (1999). The

model proposes a business structure that begins with a situational analysis of the company, followed by the objectives of the given business venture. As these two components have already been addressed, recommendations will focus on the latter part of the acronym: strategies, tactics, actions, and controls. Each set of recommendations will be presented holistically, and an in-depth SOSTAC-based implementation framework to summarize and complement this narrative is available in Appendix B where various strategies will be proposed, followed by specific tactics to enact that strategy, as well as the details of those tactics (i.e. actions) and corresponding controls (methods of monitoring and evaluation). Table 2.2 presents an overview of this implementation framework.

Table 2.2: The implementation framework for IBLI distribution in urban centers should focus on marketing to increase visibility and cost efficiency as well as strategies to increase sales and expand distribution. These strategies are presented in accordance with the SOSTAC business framework model.¹²

Strategy	Timeline¹³	Tactics	Indicator	Inputs	Target	Cost
Visibility & Cost Efficiency	Immediate	Content & language standardization	Number of new clients	Tools to enable implementation and execution	Digital networks	High
	Medium-Term		Number of sales		Social & community networks	Moderate
	Long-term	Digital marketing strategy	Number of renewals		All urban centers	Low
Client Engagement & Increased Sales	Immediate	Marketing channel retention	Number of new clients	Sales density maps	Brokers & agents	High
	Medium-Term	Agency structure modification	Number of sales	Standard operating procedures	Networks & focal cities	Moderate
	Long-term	Remote sales mechanism	Number of renewals	Mobile sales application	All urban centers	Moderate

¹² Because the action portion of the SOSTAC model is so detailed, it has been left out of the framework overview and will be presented in the detailed framework presented in Appendix B.

¹³ This paper will consistently categorize tactics according to the timeline divisions of immediate, medium-term, and long-term. For the purposes of this paper, immediate tactics should take place within a month, medium-term tactics within six months, and long-term tactics within a year. Note that in Table 2.2, the framework is organized according to timeline but the different components presented within each time-frame do not necessarily relate to one another.

Table 2.2 introduces the two overarching strategies for successful IBLT distribution to urban professionals. The first is achieving product visibility and promotional cost efficiency, which incorporates tactics related to the IBLT marketing plan. The second strategy is client engagement and increased sales; i.e., converting informed demand to product sales through an effective agency model and distribution structure. These strategies will be elaborated throughout the recommendations section, and are proposed with the understanding that short-term (immediate) implementation costs are likely to be relatively high, but are forecasted to wane in the long term as urban communities become more aware of the existence of IBLT and as the need for intensive marketing and active client recruitment dwindles (demonstrated by Figure 2.9).

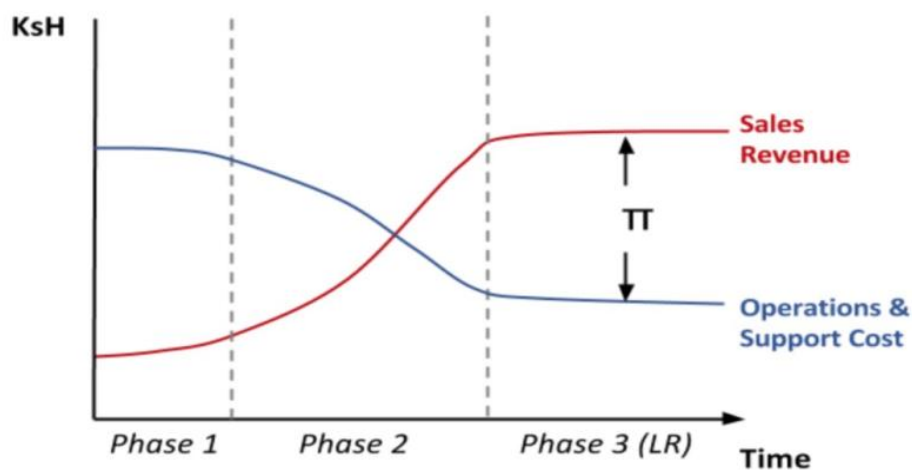


Figure 2.9: IBLT distribution costs are expected to be high upfront due to the marketing and outreach necessitated by the relative novelty of the product. However, as communities become effectively sensitized these outreach costs are expected to wane. Community sensitization will also lead to higher informed demand and therefore higher sales revenue in the long run, but revenue levels are moderate initially due to low levels of market saturation.¹⁴

¹⁴ Barchett et al. (2018). A Business Evaluation of the Sale and Distribution of Index-Based Livestock Insurance in Kenya. *International Livestock Research Institute*.

Marketing Content and Language

Because Index-Based Livestock Takaful is a relatively esoteric and widely unfamiliar product, it is crucial that the language used when marketing and selling the product is as simple and accessible as possible, and that this language is standardized across all marketing materials. The language employed should be familiar to the target consumer, and should address their values, needs, and identity. It should also be translated into other languages commonly spoken among livestock owners, including Swahili and Somali.

As described in the Theory of Reasoned Action (Fishbein & Ajzen, 1975), consumers tend to respond to language that helps them to associate a purchase with a positive outcome while acknowledging the risk of a negative outcome if they do not complete the purchase. Therefore, marketing language should highlight the positive outcomes associated with livestock protection, such as income, food, respect, and community benefit. It should also make clear the negative outcomes that can be avoided through ownership of IBLT, including livestock mortality and decreased income. Additionally, marketing language should include words and phrases that associate IBLT with aspects of urban pastoralist identity (or desired identity), as the Extended Self Theory (Belk, 1988) suggests. This includes emphases on the respect earned by keeping livestock alive, the strong pastoral ties that can be maintained in part by purchasing IBLT, and the status acquired by owning an insurance product.

A list of key phrases and buzzwords should be created and maintained with these suggestions in mind, and should be used as the basis for all marketing materials. Additionally, a standardized set of frequently asked questions (FAQs) should be available in all sources of IBLT information,

such as the IBLT webpage and the receipt booklet that clients receive upon making a purchase. FAQs are an effective method of putting information into language that is accessible and relevant to the consumer, and standardizing them ensures that consistent information is being promoted, decreasing the chances of misunderstanding or misinformation. Lastly, thought should be given to a potential rebranding of the product by simplifying the product name. Index-Based Livestock Takaful is very wordy, and ‘index-based’ does not add significant value to the product understanding of the average consumer. Therefore, a more simplified and recognizable product name is recommended, such as simply ‘Livestock Takaful.’

In addition to language standardization, the marketing content, too, should be standardized in order to present a coherent and recognizable marketing campaign that adheres to the TIA brand. Marketing tools should be created using different types of multimedia to provide material that can be effectively promoted through a variety of marketing channels, thereby reaching a wider audience. Initial content development will have a moderate cost, but the up-front investment will yield a collection of marketing tools that can be implemented at a low cost in the long run for a cost-effective marketing campaign.

Because several print sources do reach the target demographic such as the Jamia Mosque Friday Bulletin or Seeds of Gold, written content should be produced in the form of informational articles or promotions. These should be written using the aforementioned language recommendations, and several versions should be created with varying foci in order to rotate and diversify the promoted content. In addition to strictly informational articles, features should be written whenever there is news about IBLT or in the event that it wins an innovation award. Such

awards serve as excellent proof of product success, which makes IBLT more appealing to consumers, so TIA should aim to apply to five awards annually and win at least two. To complement the text-based content, a several-minute informational video about IBLT should be created. Such a video will have a high cost of production¹⁵, but can subsequently be promoted through social media and television, and can be permanently embedded in the TIA website.

In addition to the longer informational video, one (or several) short, 30-second videos should be created specifically for social media and television promotion. These videos should focus less on product semantics and should be testimonial-based; i.e., they should contain footage of real clients who have had positive experiences with the IBLT product. The audio portion of the footage can also be used for radio promotion. Additionally, these testimonials should be converted to text and promoted through a series of testimonial stills. The quotations and content for these stills can be collected both from the recorded videos, as well as from the claimant feedback forms that TIA plans to implement.

Marketing Channels

Because we assume the urban consumer to be largely synonymous with the digital consumer, and since study participants voiced a preference for digital communication and social media, the IBLT marketing strategy should of course still include traditional advertising channels like print bulletins and radio, but should focus on digital channels to market intentionally and specifically to the target demographic. This should include first and foremost a populated and engaging webpage. The primary function of the website is to convert consumer interest to sales, so if

¹⁵ Conversations have already begun to partner with Kenya Markets Trust in order to obtain funding for the production of this video.

nothing else the webpage should provide information about the product as well as clear instructions as to how the consumer can most easily purchase IBLT, be it through an agent, broker, direct sales representative, or a mobile application. The webpage should also contain a variety of content to engage visitors, including the aforementioned FAQs, informational videos, and testimonials. Also, a ‘Contact Us’ field should be embedded in the webpage, which is particularly important because IBLT is such a complex product, inevitably leading to a large number of client queries. To meet the needs of a market segment that values easily accessible information, everything necessary for a client to learn about and purchase IBLT should be available on the webpage.

Social media is another key part of an effective digital marketing strategy. One of TIA’s biggest marketing strengths is its social media presence and levels of activity on Facebook and Twitter, which can be leveraged to successfully promote IBLT. Because the active social media pages are for TIA products in general and not exclusively for IBLT, a social media campaign with regular promotions specifically for IBLT must be emplaced. This is flexible and could take a number of forms, but one such campaign could be ‘IBLT Ijumaa,’ where content explicitly related to IBLT is promoted every Friday such that consumers have access to new information and are regularly reminded of product availability.

It is recommended that TIA’s marketing strategies through radio, television, and print sources remain largely unchanged, with the exception that IBLT is featured more frequently relative to its historic prevalence in TIA advertising. Similarly to the proposed regular social media

promotions, a regular IBLT feature should be scheduled for each of these marketing channels using the aforementioned standardized content.

Lastly, because most urban consumers (and many consumers as a whole) are very reliant on mobile phones, a client-based mobile application should be developed and available for download in the Google Play Store and the Apple Store. The functions of this application are twofold: firstly, it should allow the consumer to learn about IBLT and direct them to sources for more information, and secondly, it should allow them to remotely make IBLT purchases (the latter will be further discussed). The standardized FAQs and other content previously described should be available through the application, as should links to the IBLT webpage and TIA social media pages. Because there already exists a mobile application specifically for agents to receive product training and record sales, this application could simply be adapted to provide clients with the opportunity for the same degree of product knowledge as IBLT agents, if they are interested. A mobile application is a crucial addition to the IBLT marketing strategy in order to serve the needs of the digitally-focused, time-pressed urban consumer.

Face-to-Face Product Distribution

As previously described, there are currently three avenues for face-to-face IBLT distribution: IBLT agents, TIA in-house sales representatives, and urban brokers. However, IBLT product training is only required for the agents. Therefore, because lack of product knowledge was found to be a disincentive to sales representatives and brokers in the sale of IBLT, regular trainings should be available to representatives and brokers, as well as the mobile-based learning platform that the agents use for refresher courses.

However, it has been noted that even if regular trainings were available to the representatives and brokers, they would not take advantage of these trainings because they are not motivated to sell IBLT due to the low commission rates relative to other TIA products. Therefore, concerning in-house sales representatives, required IBLT sales targets should be imposed, presented as a percentage of their total monthly sales commission. The magnitude of this percentage is at the discretion of TIA management, but imposing sales targets specifically for IBLT would require sales representatives to sell IBLT. Since representatives are based at TIA offices, all of which are located in urban centers, this requirement would inevitably lead to higher urban sales.

This same strategy cannot be employed for urban brokers, however, as they are individual business entities and thus cannot be given required sales targets. Therefore, it does not make sense to devote resources to motivating these brokers to sell, since it would likely require substantial monetary incentives. Instead, brokers should be tasked with client recruitment and referral. Because they often have extensive social and professional networks, and bring in clients that might not otherwise know about TIA products, they can identify potential IBLT beneficiaries from simple day-to-day conversations with their clients. They should then refer these clients to an IBLT agent, TIA sales representative, or the proposed client-based mobile application, all of which have more product information and knowledge, as well as a greater incentive to complete the sales process. Brokers still will have to be incentivized to conduct these referrals, but the size of their compensation does not have to be nearly as large as it would be were they directly selling the product, since a referral takes very little time. For example, a points system could be enacted where a broker receives a certain number of points for each referral. As

they accumulate points, they can earn benefits such as monetary bonuses or TIA merchandise. To monitor this system, brokers should report the clients that they have referred, and the reported information should be triangulated with sales data to ensure its validity.

The urban brokers and direct sales representatives, if mobilized to sell IBLT, can effectively cover Nairobi and the cities containing TIA offices. However, in other urban centers across the country, product distribution will remain the responsibility of IBLT agents. There should be at least one IBLT agent exclusively responsible for selling within the jurisdiction of the government seat of each active county that does not contain a TIA office. These urban centers include Hola (Tana River), Marsabit Town (Marsabit), Maralal (Samburu), and Lodwar (Turkana). In addition to coverage of these regions, at least one agent should be deployed for other urban centers that have not yet been effectively served, as presented in Figure 2.7. These agents should sell and be compensated according to current practices and the recommendations proposed by Banerjee et al. (2017) and Barchett et al. (2018).

Remote Product Distribution

As mentioned, there the need for a client-based mobile application, which should in part provide current and potential IBLT clients with product information. The second function of this application is a mechanism within the application by which clients can make IBLT purchases remotely using M-PESA, and can view and update their policies and contracts within the application. This is a necessary addition to the IBLT distribution structure, especially for urban centers, because many potential clients are busy professionals who will not have the time to seek out agents or sales representatives and complete the transaction in person.

The application should first and foremost contain a sales platform; clients should be able to input the number and type of livestock they want insured, as well as the Weather Division in which their herd is kept. Once the system receives confirmation of M-PESA payment, the client's contract should be available within the application for them to view. In addition to a mechanism for sales, an up-to-date map should also be embedded within the application displaying all active agents' and sales representatives' locations, as well as their contact information and even a headshot and short blurb for each agent. This will allow clients to contact the appropriate agent or representative if they have any questions beyond the information provided in the application, or if they prefer to make the purchase in person. Reminders to purchase can also be sent to clients through the application before and during each sales window. The application should ideally be piloted in sales window 11, during which the functionalities and responses should be closely monitored and after which it should be adapted to address the successes and shortcomings observed during the pilot.

Geographical Prioritization

Figures 2.5, 2.6, and 2.7 present the geographical distribution of historic sales data as it relates to urban locations throughout Kenya. Though urban centers such as Moyale and Maralal appear to have been effectively covered, the regions highlighted in Figure 2.7 (Nairobi, Mombasa, Lamu, Garissa, Isiolo, Mandera, and Lodwar) have not had high sales to correspond with the high population density within these urban centers. Therefore, agents and sales representatives should be deployed within these areas. Additionally, urban centers (as defined by the World Population Review and indicated by red dots on the map in Figure 2.1) that have not been deemed high

potential but which still contain large numbers of urban pastoralists should be covered by IBLT agents as well.

Only urban regions within active IBLT counties should be prioritized, apart from Nairobi, Mombasa, and Lamu (which house TIA offices). Even though there is a high number of urban centers in western Kenya, there are no TIA offices and therefore no in-house sales representatives based in these regions. It does not make sense to hire IBLT agents within these regions because western Kenya is not as of yet covered by IBLT, and therefore the premium brought in by potential agents in these regions likely would not be worth the operational cost of conducting business outside of active IBLT counties. However, though it is not feasible to initiate a face-to-face distribution process in these counties, urban professionals located outside of active IBLT counties can still be reached through digital marketing and a remote sales process (i.e. the client-based mobile application). Therefore, it would still be worthwhile to understand this demographic in order to determine how TIA's digital platforms can reach these urban centers. This can be done by deploying the survey used in this study in the urban regions of western Kenya. This leads to the point that the best strategy for urban IBLT distribution is likely to vary across counties based on the presence or lack of TIA offices and IBLT coverage, so TIA should be prepared to adapt the recommendations presented in this paper based on each individual context.

2.6 Conclusion

A proposed strategy for IBLT distribution to urban professionals has been presented, with the understanding that all recommendations might not be feasible right away due to time and

financial constraints. However, the recommendations should be carried out and prioritized according to the timeline that accompanies the proposed strategies in Appendix B. Moving forward, the effectiveness of all proposed interventions should be monitored using the indicators suggested (also in Appendix B), and should be adjusted as necessary. This is especially crucial for the introduction of the client-based mobile application. Additionally, as future sales data is collected, both the Weather Division of the insured livestock as well as the location of the sale should be recorded, so that successes in reaching the urban demographic can be effectively monitored.

Along with a pilot for the proposed recommendations, it will be useful for TIA to continue implementing the survey tool used in this study (or an adapted version of it) to collect information about new and potential clients' viewpoints, habits, and perceptions of IBLT, especially since the sample size for this study was relatively small. This will be useful in determining if the business strategy requires further adaptation, and will also help to identify which urban areas have been well sensitized to IBLT and which should be regions of focus for IBLT distribution. However, if the strategies described in this narrative and outlined in Appendix B are enacted, TIA should be well positioned to reach a wide base of urban consumers for IBLT distribution.

CHAPTER THREE:

RESEARCH BRIEF

Prepared for initial publication by the International Livestock Research Institute as:

A Business Strategy for the Distribution of Index-Based Livestock Insurance to Urban Professionals – Insights from Kenya¹⁶

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3.1 Context

Index Based Livestock Insurance (IBLI), launched in 2010 in the Marsabit region of Northern Kenya, has for nearly a decade striven to provide pastoralists in Kenya and Ethiopia with protection against drought related livestock losses. Underwritten by commercial insurance companies, IBLI was adopted by the Government of Kenya in the form of the Kenya Livestock Insurance Programme (KLIP) in 2015. So far, the project has expanded into eight counties in the arid and semi-arid lands (ASALs) of Northern Kenya, and has covered over 10,000 clients through IBLI and 18,000 beneficiaries through KLIP. Both the commercial companies as well as the government are now keen on expanding the product to cover all of Kenya's ASAL counties.

Up to now, the sales and distribution model for the product has focused primarily on the rural market segment, where most of the pastoralist communities are located. However, over the years, both ILRI and the insurance companies have realized that there is a need to tap a significant

¹⁶ Co-authored by Tara Hammonds and Rupsha Banerjee to be initially published by the International Livestock Research Institute.

population of professionals who belong to pastoral communities but work in urban areas; these professionals play a critical role in decision making concerning their livestock and community livelihoods. Therefore, through this brief, we present an analysis of and recommendations for the most effective practices that can be employed to reach this urban population with livestock insurance. These urban dwellers hold large potential for the IBLI market if they can be effectively incorporated into the focus of product distribution. The combination of generally large herd sizes and moderate to high income levels could yield a significant but previously unrealized profit stream from the sale of IBLI to urban professionals.

3.2 Methodology

For the purpose of this study, ‘urban’ is defined as any urban area deemed as such according to the Republic of Kenya’s Urban Areas and Cities Act of 2011; that is, any administrative district with a population of over 2,000, demonstrable revenue generation capacity, and significant infrastructural facilities, and meets all other requirements provided in the Act (The Republic of Kenya, 2015). Moreover, the main towns and county government seats such as Isiolo town and Marsabit town were considered as focal points and urban areas to be prioritized (Figure 3.1).

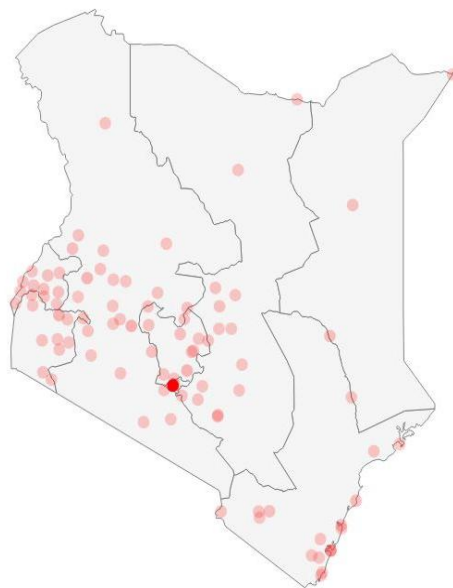


Figure 3.1: Centers for Urban Population in Kenya
Source: World Population Review

The data collection was done over a two-week period with one of the commercial partners of IBLI. The data was collected using a snowball sampling approach and relied mainly on a survey administered via email through Qualtrics platform as well as face-to-face semi-structured interviews. Study participants were recruited based on two criteria: ownership (or family ownership) of livestock, and residence in an urban region. A total of 10 surveys through Qualtrics and 11 semi-structured interviews were conducted. The questions were largely identical in both the email survey and oral interviews, but during the interviews the opportunity to probe for more qualitative information following a response was often taken. The data analysis was done simultaneously with ongoing conversations with the marketing department of the commercial company and keeping in mind the goals, targets, agents and recommendations from previous studies carried out by ILRI. The analysis also assumed that there was a significant overlap between the urban consumer and the digitally savvy consumer (Figure 3.2).

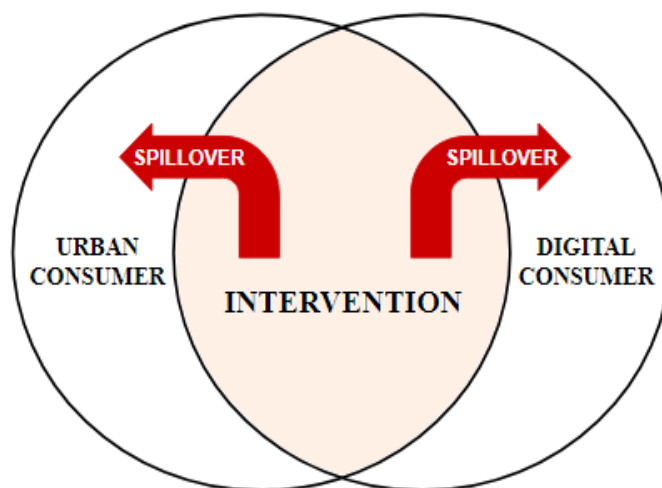


Figure 3.2: Digital and Urban Consumer Intersection
Source: Authors

3.3 Findings

Market Segment

The market segment targeted by this intervention is comprised of urban professionals who either own livestock or who come from pastoral families and communities. Existing literature and published statistics are not conclusive on the percentage of Kenya's population that owns livestock, much less the proportion of this demographic that lives in urban regions (Krätli & Swift, 2014). Therefore, it is difficult to accurately determine the size of the target market segment of livestock-owning urban professionals.

Regardless of size, there are certain tendencies that characterize Kenya's 13.5 million urban residents (Worldometers, 2018), allowing us to cater IBLI distribution to the behaviors of urban consumers. They are generally digital consumers, preferring to find information and conduct business through digital channels. Urban residents also tend to be professionals with fixed and busy schedules, and respond well to digital market systems through which they can purchase

products remotely on their own time (Ryan & Jones, 2009; Tiago & Verissimo, 2014). Though radio and television usage are relatively low among this demographic, social media platforms, including Facebook, Instagram, and WhatsApp, are very popular and widely used.

In addition to the general urban demographic, there are characteristics that are common specifically among urban livestock-holders. They have moderate to large herd sizes, and generally own mixed-livestock herds comprised of cattle, camels, goats, and/or sheep. These professionals overwhelmingly consider their livestock of very high importance to them, for reasons including tradition, sentiment, income, food, community and family dependence, and community respect. Although they manage their herds remotely, they make the major decisions concerning their livestock, and also have high levels of social influence within their pastoral communities.

Marketing Strategy

IBLI is currently marketed by private insurance companies through a wide, but somewhat haphazard, set of marketing channels, targeted primarily at rural pastoralists. However, to reach urban consumers, there lies great potential in digital marketing channels, including active product-focused social media pages and product web pages using diverse multimedia designed to engage consumers and encourage IBLI purchase. There is also a variety of print marketing opportunities; one such is the Daily Nation's Seeds of Gold insert, which would effectively reach the target market segment. Others include more specific news bulletins which could be employed to reach various demographics depending on the marketing goals of the insurance company.

Product Distribution

IBLI distribution is achieved in Kenya primarily through the efforts of direct sales representatives, urban brokers, and IBLI agents; currently, they have varying levels of engagement, product training, and motivation to sell. However, high levels of urban market saturation could be achieved by effectively engaging all three of the aforementioned actors in urban IBLI distribution. Additionally, a digitally-based remote purchasing mechanism would be ideal to reach a wider consumer base and to cater to the digitally-focused, time-pressed urban demographic.

Urban Center Sales Coverage

Though the historical geographical distribution of sales has been variable, trends in average sales density demonstrate the specific urban areas in Kenya that have lacked significant IBLI sales despite their high populations. Figure 3.3 displays the IBLI sales density from the past six sales windows (windows five through ten) overlaid with Kenya's urban areas, thereby indicating high potential urban centers; that is, urban regions with historically low sales but which have a high population and large political influence, creating the need for more deliberate IBLI distribution.

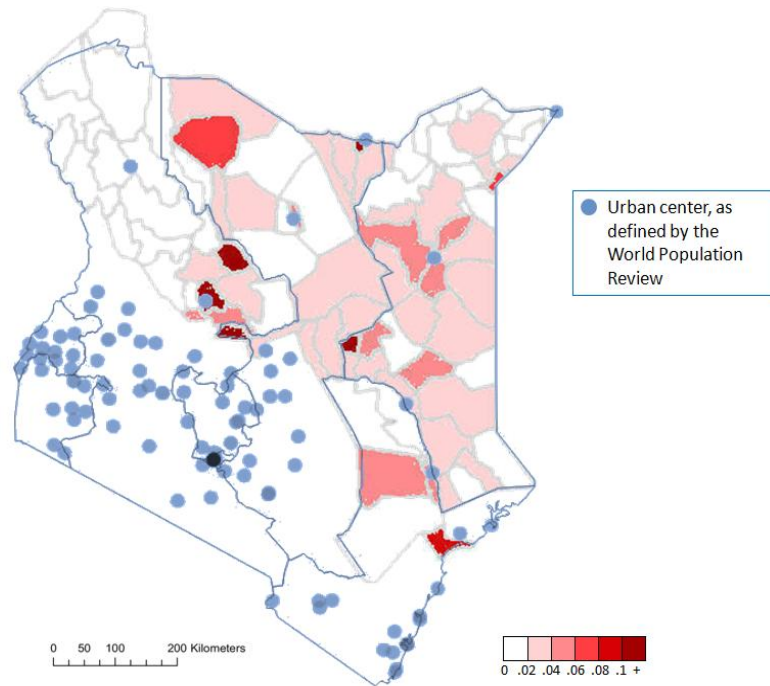


Figure 3.3: Map of Average Sales Density with Urban Centers
Source: Authors

3.4 Recommendations

To achieve the goal of increasing IBLI distribution among the urban demographic, a business framework is proposed (Figure 3.4) to increase informed demand and product availability through channels regularly used by urban consumers. The framework provides mechanisms for sales and marketing, which when effectively implemented lead to urban market saturation with the long-term vision of increased welfare and resilience to drought-related livestock mortality.

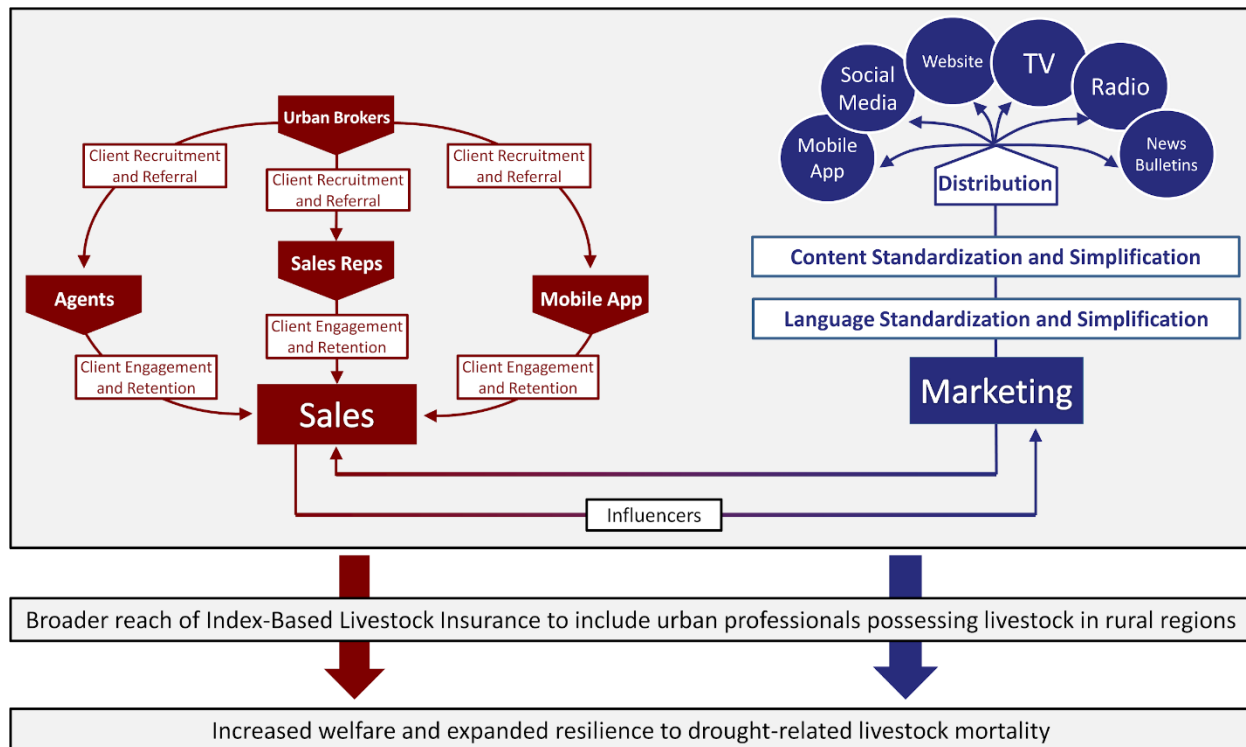


Figure 3.4: Proposed Urban Distribution Framework

Source: Authors.

This framework should be implemented by pursuing two overarching strategies, presented in Table 3.1, with corresponding tactics proposed according to the timeline of implementation¹⁷.

The first strategy is increasing visibility and cost efficiency through an effective marketing plan. In the short- and medium-term, this should include the simplification and standardization of marketing language, as many Kenyans are not only unfamiliar with Index-Based Livestock Insurance but do not understand the concept of insurance in general. Therefore, marketing language should focus on simple terms that appeal to the values and behaviors of the consumers, and should be consistent throughout all marketing materials and channels. Similarly, standardized marketing content including informational articles and videos should be created in order to decrease development costs moving forward. In the long run, the standardized language

¹⁷ For the purposes of the timeline of this framework, immediate refers to implementation within one or two months, medium-term within six months, and long-term within one or two years.

and content should be promoted through primarily digital marketing channels, focusing on social media and product web pages but also including television, radio, print news bulletins, and an IBLI informational mobile application with remote purchasing capabilities.

Alongside the marketing strategy, a second strategy should simultaneously be pursued to increase client engagement and overall sales. In the short term, the focus should be on client retention; there should be a quick and transparent process for a consumer to find all the information they need and complete a purchase. Medium-term strategy implementation should include an agency structure modification such that all urban regions are covered by a trained and motivated sales force, and each type of insurance salesperson (direct sales representatives, brokers, and IBLI agents) should be incorporated as efficiently as possible into the distribution structure based on their locations, skills, product familiarity, and compensation. In the long run, these in-person sales should be aided by a remote purchasing mechanism, ideally in the form of a mobile application, wherein time-constrained urban consumers can learn about and purchase IBLI remotely through a smartphone.

Table 3.1: Overview of Implementation Framework¹⁸.*Source: Authors.*

Strategy	Timeline	Tactics	Control	Inputs	Target	Cost
Visibility & Cost Efficiency (Marketing)	Immediate	Content & language standardization	Number of new clients	Tools to enable implementation and execution	Digital networks	High
	Medium-Term		Number of sales		Social & community networks	Moderate
	Long-term	Digital marketing strategy	Number of renewals		All urban centers	Low
Client Engagement & Increased Sales	Immediate	Marketing channel retention	Number of new clients	Sales density maps	Brokers & agents	High
	Medium-Term	Agency structure modification	Number of sales	Standard operating procedures	Networks & focal cities	Moderate
	Long-term	Remote sales mechanism	Number of renewals	Mobile sales application	All urban centers	Moderate

The above strategy helps to adapt the distribution structure to the urban context, allowing for increased sales among urban consumers, who can in turn influence their pastoral communities to purchase IBLI as well, opening pathways for increased distribution nationwide.

3.5 Way Forward

Through this brief, an attempt has been made to provide a road map to tap the urban professional and create a market for IBLI in the urban areas of Kenya. The models and recommendations have been presented keeping both IBLI and KLIP in mind, and adoption of the proposed recommendations is based on time and resource availability. However it is recommended that the implementation of the strategy should be prioritised according to the timeline accompanying it. Moving forward, the effectiveness of all proposed interventions should be monitored and should

¹⁸ The proposed implementation framework is adapted from the SOSTAC business model (Smith, Berry, & Pulford, 1999), wherein a business strategy is organized according to a situational analysis, objectives, strategies, tactics, actions, and controls.

be adjusted as necessary; this is especially crucial for the introduction of the client-based mobile application. In addition, as future sales data is collected, both the Weather Division¹⁹ of the insured livestock as well as the location of the sale should be recorded, so that successes in reaching the urban demographic can be effectively monitored.

¹⁹ Weather divisions are defined as the index units based on which people are insured. Each index unit is determined on their agro-ecological characteristics.

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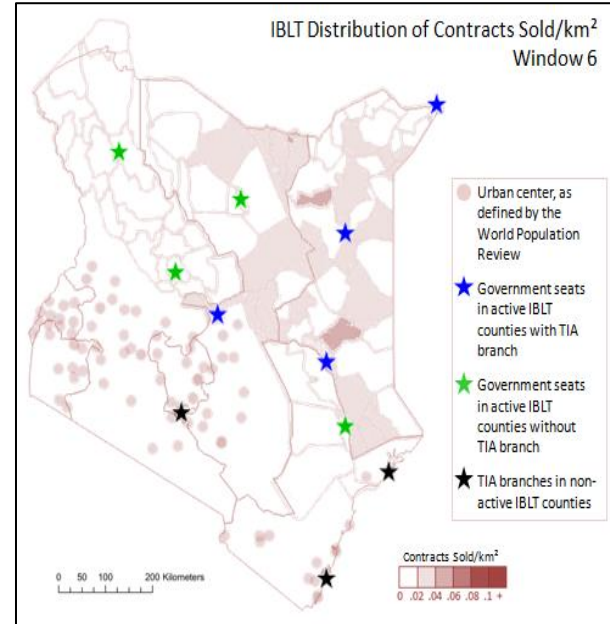
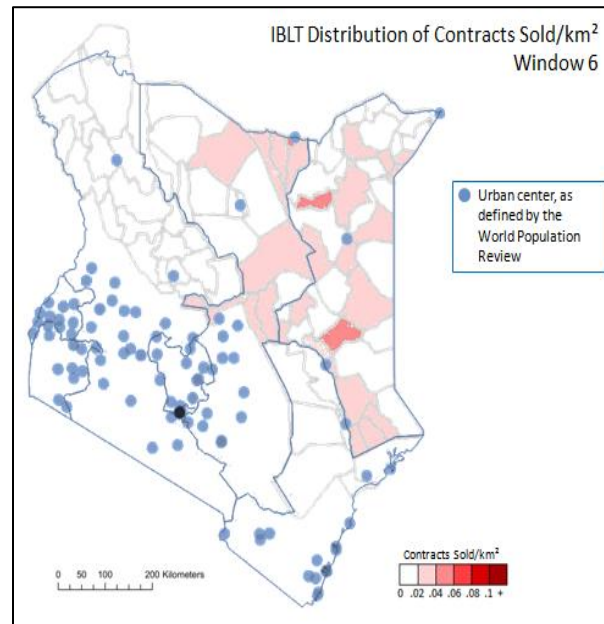
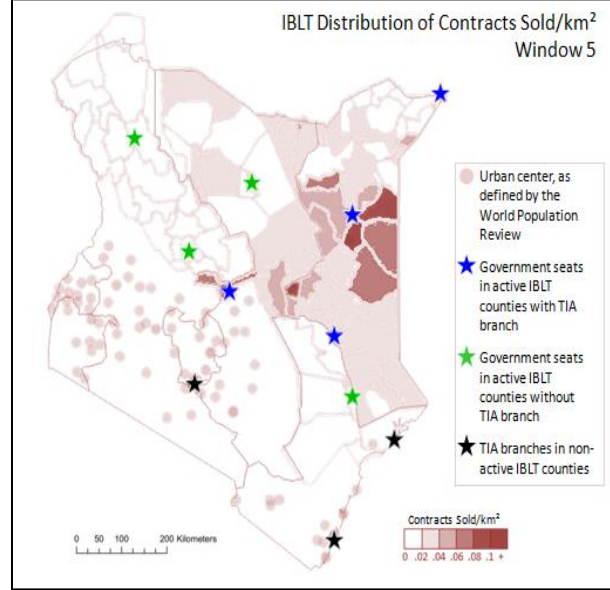
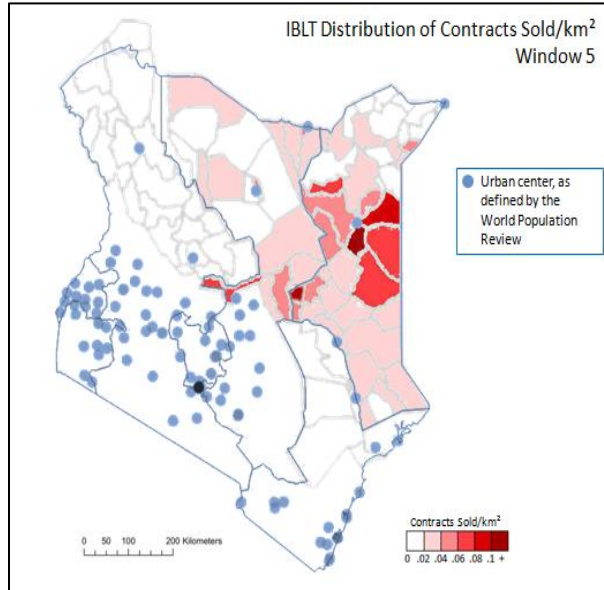
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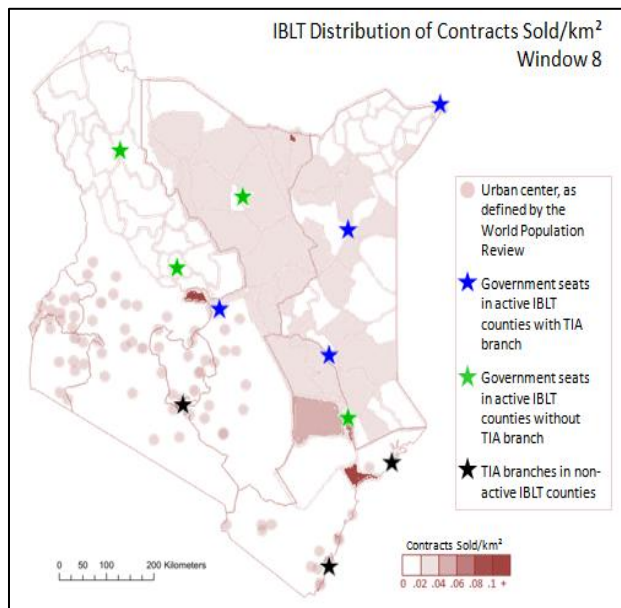
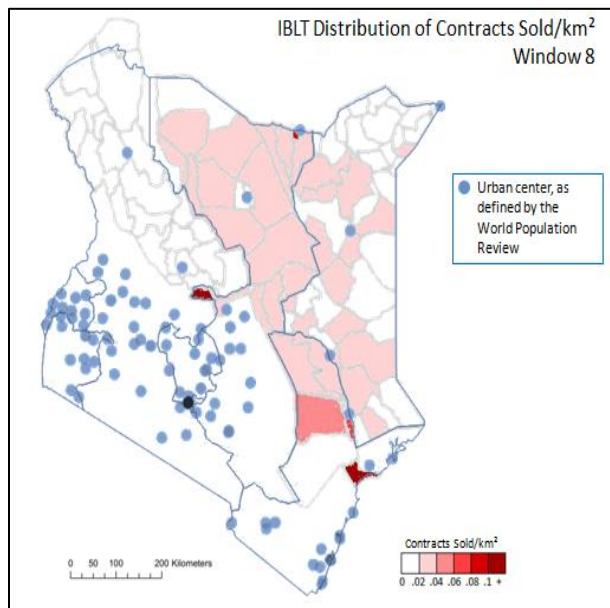
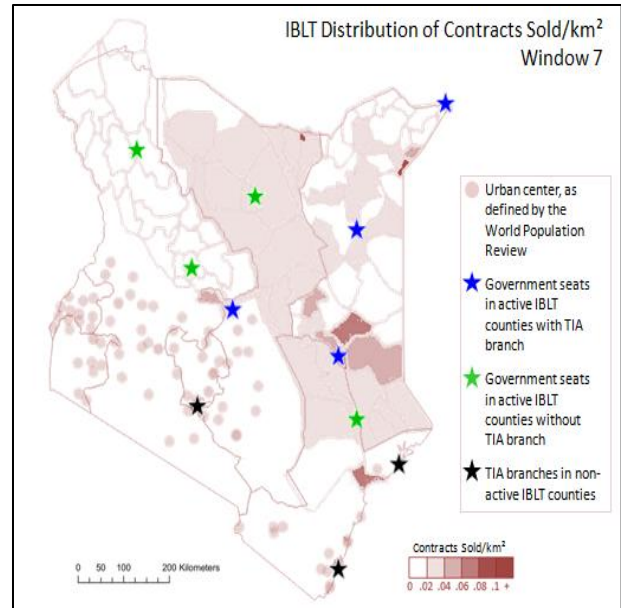
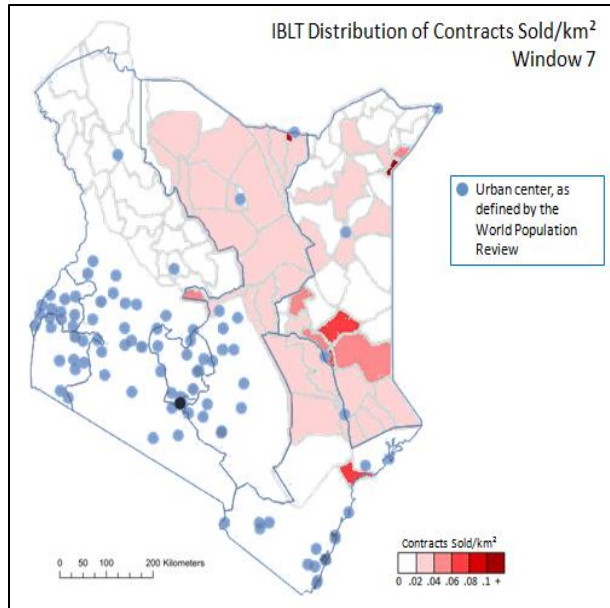
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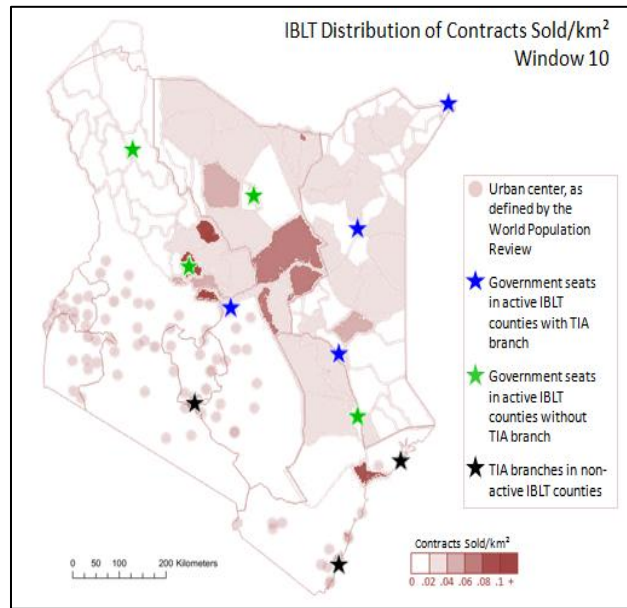
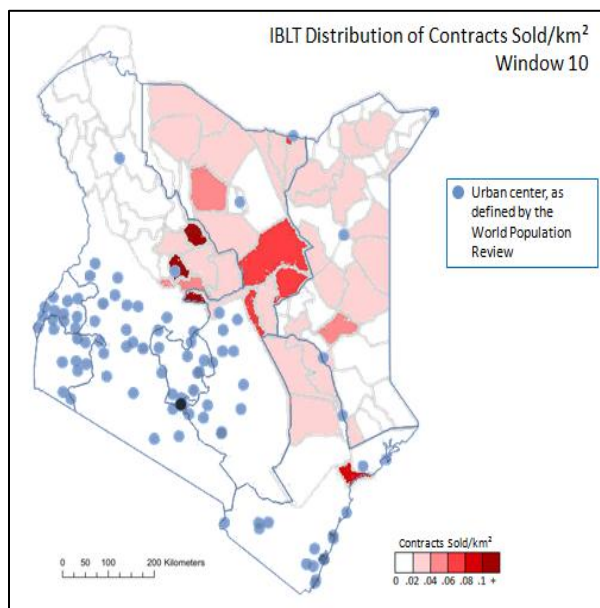
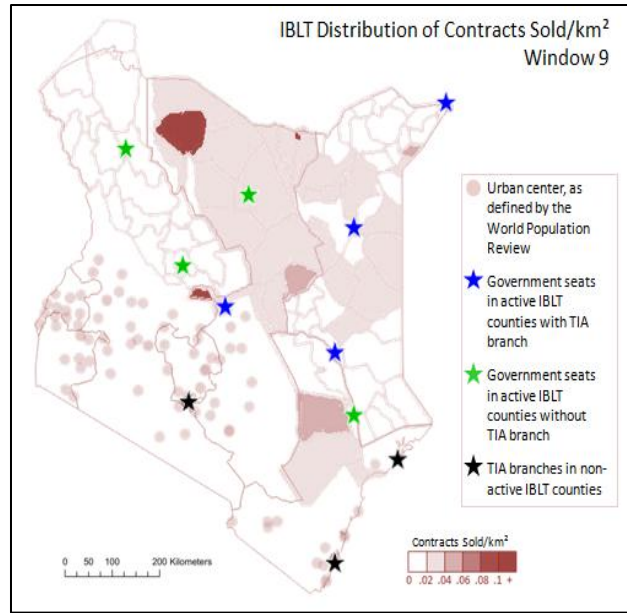
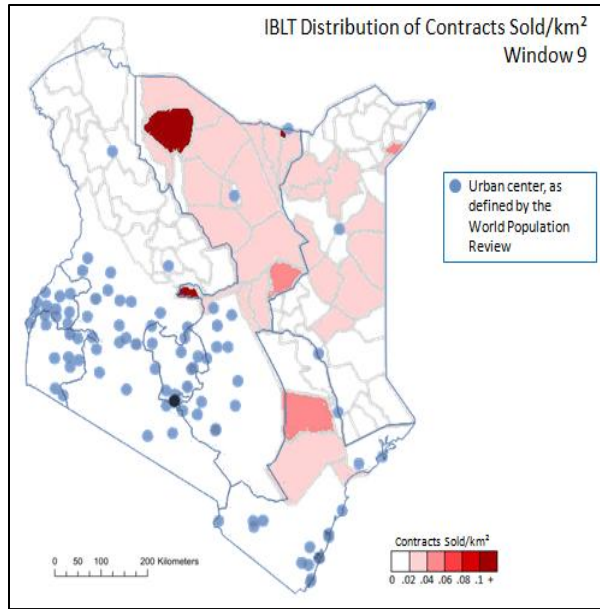
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APPENDICES

Appendix A: Sales Density Maps by Sales Window







Appendix B: Detailed Implementation Framework

Objective 1: Increase informed demand in urban regions							
Strategy: Visibility & Cost Efficiency	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
Standardize and simplify language used to market the IBLT product to make it more accessible and increase channel engagement and retention	Develop simplified marketing language to use in marketing materials that appeal specifically to urban consumers	Develop and use list of buzzwords and key phrases grounded in urban consumer values and consumer theory	# sales, amount of time spent on webpage, # people reached, # click-throughs, # likes/retweets	Standardized and justified language / buzzword list	All urban consumers	Low (content development)	Immediate
		Promote standardized set of FAQs (from receipt booklet) through website, mobile application		Updated receipt booklet	All urban consumers	Low (HR)	
		Rebrand product name		Simplified product name, i.e. Livestock Takaful	Consumers unfamiliar with insurance market	Low (content development)	
Promote standardized content through media channels commonly used by urban consumers (radio, television, news bulletins)	Write standardized informational articles (using language recommendations; see above) to promote IBLT	Distribute articles in the Jamia Mosque Friday Bulletin (circulation 10,000)	Weekly circulation, # WhatsApp subscriptions	Informational article content	Muslim population valuing sharia compliance, new clients	Moderate	Medium-term (monthly distribution)
		Distribute articles in Seeds of Gold (circulation 200,000)	Weekly circulation				
		Post articles on social media	# people reached, # click-throughs, # likes/retweets			Moderate	Medium-term (quarterly distribution)
						Low (content development)	Medium-term (monthly distribution)
	Create five-minute, standardized informational video	Present proposal to KMT for funding to create video	Success in guaranteeing funding	Written proposal for video	Digital urban consumer	Low (content development)	Immediate
		Gather footage and client interviews from the field to provide video content		Field team, necessary technology		High (ideally covered by KMT)	Medium-term
		Post video on website, and provide links to it on social media	# people reached, # click-throughs, # likes/retweets	Completed video		Negligible	Long-term

Strategy: Visibility & Cost Efficiency	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
	Continue current practices for material promotion through radio and television	30-second radio advertisements on Hot 96 and Classic 105	# times message is played, # calls into station	Audio content	Professionals with vehicular commute	Moderate (airtime)	Immediate
		30-second video advertisements on Citizen TV	# times message is played, # viewers	Video content	Stay-at-home urban dwellers	High (airtime)	Long-term
		Gather direct quotes from clients from the claimant interview forms	# people reached, # click-throughs, # likes/retweets	Claimant interview form collection	Digital consumer, values information and evidence	Low (piggyback on M&E)	Medium-term
	Develop a testimonial campaign to promote through marketing channels	Create a series of promotional stills showing client quotes		Completed claimant interview forms		Low (content development)	Medium-term
		Create 30-60 second testimonial video by gathering short video clips of clients from the field		Video footage of claimant interviews		Moderate (video production approx. 340,000 Ksh)	
		Promote testimonial stills and video through social media and website		Completed testimonial video and stills		Low (HR)	
		Apply to at least five innovation awards each year		# awards applied to, prestige of awards		Completed award applications	
	Promote IBLT success in winning innovation awards	Aim to win at least two innovation awards each year	# awards won, prestige of awards	Article content	Urban consumer, values information, evidence, and quality		Continuous
		Write short blurbs and record vocal segments whenever an award is won to promote through all marketing channels	# people reached, # click-throughs, # likes/retweets; #times message is played, # callers/viewers (radio/TV)			Low (HR)	

Strategy: Visibility & Cost Efficiency	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
Leverage digital marketing channels to reach the high proportion of digitally literate and dependent consumers in urban regions	Increase social media presence through regular posts of IBLT-related content on the TIA Facebook and Twitter pages	Promote testimonials (see below) regularly on social media	# people reached, # click-thoughts, # likes/retweets	Testimonial videos and stills	Younger, digital consumer	Low (HR)	Medium-term
		Initiate "IBLT Jinnas" for weekly IBLT material promotion		Standardized content (videos, articles photos)			Medium-term
		Post news articles relevant to IBLT as soon as they are released		Informational article content (see above)			Continuous
		Post FAQs from the IBLT receipt booklet on the website	# webpage visitors, amount of time spent on webpage, # click-thoughts via website	Updated receipt booklet	Digital consumer	Low (HR)	Immediate
		Make links to social media, videos, etc. evident and easy to find on the website					
		Create archive of testimonials (see below) that is available to website visitors		Testimonial videos and stills			
		Embed at least one informational video on the webpage		Standardized informational video (see above)			
		Create and embed a map with agent locations and contact information	# queries, types of queries	Agent GPS data; compilation to create map; agent phone numbers	Digital consumer, specifically new clients	Moderate (content development)	
		Embed "Contact Us" field on webpage for queries					

Strategy: Visibility & Cost Efficiency	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
	Develop and provide product information through a client-based mobile application	Adapt the IBLT agent application to meet clients' needs and make it available on the App Store	# application downloads (i.e. # of consumers engaging with content)	Adapted agent mobile application	Younger, digital consumer; working professionals with fixed schedules; new clients and renewals	Moderate (application development)	Medium-term
		Provide FAQs from the IBLT receipt booklet in the app		Updated receipt booklet		Low (HR)	
		Embed at least one informational video in the app		Standardized informational video		Low (HR)	
		Create and embed a map with agent locations and contact information		Agent GPS data; compilation to create map; agent phone numbers		Moderate (content development)	
		Create "Contact Us" mechanism in app for queries		# queries, types of queries		Low (HR)	

Objective 2: Convert informed demand to increased sales in urban regions							
Strategy: client engagement & increased sales	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
Encourage channel engagement and retention in all marketing channels	Use varied multimedia in marketing materials to pique consumer interest	Promote informational videos and testimonial stills (see above) through social media and on the website	Amount of time spent on website, # people reached, # click-throughs, # likes/retweets	Standardized videos, articles, testimonials	Digital consumer, busy professionals, value time and information quickly available	Low (HR)	Continuous
		Avoid too much text in marketing materials - rely on multimedia				Negligible	

Strategy: client engagement & increased sales	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
Develop innovative ways for urban consumers to purchase IBL T as quickly and easily as possible to appeal to the busy professional	Provide links necessary for a consumer to learn about and purchase IBL T in <i>all</i> marketing materials	Provide social media and website links at the end of all marketing materials	# webpage visits, # social media likes/follows		Digital consumer	Negligible	Continuous
		In all marketing materials, provide instructions for clients to download the mobile application	# application downloads (i.e. # of consumers engaging with content)	Active client-based mobile application	Younger, digital consumer	Low (HR)	
		In all marketing materials, make it clear how clients can purchase IBL T in person	# face-to-face sales		Less busy urban consumer, values face-to-face interactions	Low (HR)	
		Generate unique mobile application login for each client	# application downloads (i.e. # of consumers engaging with content), # sales through application, # renewals through application	Mobile application admin privileges	Younger, digital consumer, busy professionals, value time and ease of purchase	Moderate (application development)	
Develop innovative ways for urban consumers to purchase IBL T as quickly and easily as possible to appeal to the busy professional	Develop client-based mobile application to provide product information (see above) as well as a mechanism to clients to purchase IBL T remotely	Make individual policies available through the application with up-to-date information about coverage, payouts, etc.		Agent GPS data and contact information			Long-term
		Provide each client with a "referral agent" operating in the region with the client's livestock who they can contact with questions					
		Allow for M-PESA payments through the application		M-PESA till number			

Strategy: client engagement & increased sales	Tactic	Action	Control	Physical Inputs	Target	Cost	Timeline
Adjust the agency model to increase face-to-face client recruitment and sales	Ensure coverage of all urban areas by IBL T agents	Hire at least one sub-agent uniquely responsible for selling within urban areas with no TIA office and therefore no in-house sales reps	# sales, # renewals (track by weather division, village, and agent); success in meeting sales targets; training attendance	Sales density maps, TIA office locations, adapted lead agent SOPs	Urban consumers, new clients	Low (piggyback on lead agent job duties)	Immediate
		Provide required IBL T sales targets for direct sales reps at all TIA offices as a percentage of total commission		Adapted sales rep SOPs, sales density maps		Low (piggyback on sales rep job duties)	
		Provide required IBL T training for all direct sales reps		M-learning, training presentations		Moderate	
		Urban brokers selling TIA products do not actively pursue IBL T clients but are on the lookout for clients who could benefit from IBL T		Urban broker recruitment methods and client network		Low (piggyback on current job duties)	
		Encourage brokers to refer potential beneficiaries to the closest TIA office or the mobile application		Client-based mobile application			
		Provide brokers with points for each referral to be redeemed for merchandise, etc.		Broker referral data, merchandise and other incentives		Moderate (merchandise and other incentives)	
		Triangulate sales data with referral claims by urban brokers to calculate appropriate points awarded		Sales data, broker referral data		Low (HR)	
	Leverage urban brokers' networks for new client recruitment and referral		# referrals, # sales, # brokers engaged		Urban consumers, new clients		Immediate